



# A Guiding Manual to Accessing International Climate Finance for the Republic of Nauru



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# Acronyms and Abbreviations

<b>ADB</b>	Asian Development Bank
<b>AF</b>	Adaptation Fund
<b>AAP</b>	Annual Action Programme
<b>AP</b>	Accreditation Panel
<b>ASAP</b>	Adaptation for Smallholder Agriculture Programme
<b>AUD</b>	Australian dollars
<b>CBIT</b>	Capacity Building Initiative for Transparency
<b>CCFAH</b>	Commonwealth Climate Finance Access Hub
<b>CCCP</b>	Canada Climate Change Program
<b>CCFGF</b>	City Climate Finance Gap Fund
<b>CEFPF</b>	Clean Energy Financing Partnership Facility
<b>GFDRR</b>	Global Facility for Disaster Reduction and Recovery
<b>CEO</b>	Chief Executive Officer
<b>Ci-Dev</b>	Carbon Initiative for Development
<b>CIF</b>	Climate Investment Funds
<b>DCCNR</b>	Department of Climate Change and National Resilience
<b>DRR</b>	Disaster Risk Reduction
<b>EDA</b>	Enhanced Direct Access
<b>EIB</b>	Environmental Impact Bond
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>GCCA</b>	Global Climate Change Alliance
<b>GCCA+</b>	Global Climate Change Alliance Plus
<b>GCF</b>	Green Climate Fund
<b>GCPF</b>	Global Climate Partnership Fund
<b>GEF</b>	Global Environment Facility
<b>GESI</b>	Gender Equality and Social Inclusion
<b>GIZ</b>	German Agency for International Cooperation
<b>LDCF</b>	Least Developed Countries Fund
<b>ICMA</b>	International Capital Market Association
<b>IFAD</b>	International Fund for Agricultural Development

<b>IIF</b>	InsuResilience Investment Fund
<b>ITAP</b>	Independent Technical Advisory Panel
<b>IUCN</b>	International Union for Conservation of Nature
<b>MDB</b>	Multilateral Development Bank
<b>MRV</b>	Measurement, Reporting and Verification
<b>MSP</b>	Medium-sized Project
<b>NAP</b>	National Adaptation Plans
<b>NCF</b>	Nordic Climate Facility
<b>NDA</b> s	National Designated Authorities
<b>NDC</b> s	Nationally Determined Contributions
<b>NZAID</b>	New Zealand Aid Programme
<b>OAS</b>	Online Accreditation System
<b>PIF</b>	Project Identification Form
<b>PPF</b>	Project Preparation Facility
<b>PPRC</b>	Project and Programme Review Committee
<b>REDD+</b>	Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
<b>SAP</b>	Simplified Approval Process
<b>SPC</b>	Secretariat for the Pacific Community
<b>SDGs</b>	Sustainable Development Goals
<b>TCAF</b>	Transformative Carbon Asset Facility
<b>TIF</b>	Tax Increment Financing
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environment Programme
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>URCs</b>	Unconditionally Repayable Contributions
<b>USD</b>	United States Dollars

# Executive Summary

The specific impacts of climate change in Nauru take the form of increases in surface-air and sea-surface temperatures; decreases in annual and seasonal mean rainfall, causing drought, stronger and longer-lasting droughts, and heatwaves; increases in the intensity of coastal erosion, ocean acidification and contamination of underground water supplies. In addition, there are changes to mean sea-level rise and wind-driven waves and king tides. In order to address these climate change impacts on a sustainable basis, huge amounts of climate finance, technology and capacity development are required from international, bilateral, multilateral, private sectors and other stakeholders.

Climate change is an immediate and pressing reality in the Republic of Nauru. Its geography, isolation, environmental degradation and limited natural resources make the country particularly vulnerable to the current and future impacts of climate and it has limited resources to address these climate change impacts through adaptation and mitigation. Although the flow of international climate finance funds has increased over time, it is still negligible with respect to the climate finance needs of the country.

This guiding manual aims to increase understanding and awareness of the government, private sector and civil society organisations on the international climate finance funds that are available and the mechanisms to access these funds. The major multilateral and international climate finance funds – like the Green Climate Fund (GCF), the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Climate Investment Funds (CIF) – are discussed in detail in this guiding manual. The mechanisms to access readiness finance from GEF and GCF, along with the project preparation facility of GCF to build the capacity and strengthen institutions, provide a clearer understanding of accessing small-scale funds for project preparation. Being the largest multilateral funds for international climate finance, the accreditation processes for GCF and AF are also described in detail for a better understanding of how to access these funds. To gain a better understanding of the processes and access the funds, it is important to familiarise the organisations with the accreditation procedures.

This guiding manual provides an overview of various international climate funds and good practices to access these funds, which include strong fiduciary, environmental and social safeguards, gender inclusion, quality project planning, monitoring and evaluation, and financial standards. It should help to open more avenues to bring international climate finance to Nauru and fill the funding gap through these funds and investors, while at the same time reducing pressure on national budgetary requirements in future.



# 1. Introduction

## 1.1 Background

The Commonwealth Climate Finance Access Hub (CCFAH) is the flagship initiative of the Commonwealth Secretariat, which provides technical support and capacity building for member countries to enhance their access to international climate finance. The CCFAH was established to meet countries' ongoing requirements for tools that help them effectively navigate and maximise their access to available opportunities in the global finance landscape.

The CCFAH works closely with governments across the five regions of the Commonwealth to enhance access and improve mobilisation of climate finance to the beneficiary countries through the development of project proposals, assisting in meeting application requirements for relevant climate finance funds, strengthening climate policy and frameworks, promoting South–South co-operation, knowledge exchange, mutual learning, and capacity building.

*A Guiding Manual to Accessing International Climate Finance for the Republic of Nauru* has been prepared under the CCFAH project. The main aim is to improve climate finance flows to Nauru. The guiding manual can be used as a reference document by the government of Nauru and all the other relevant stakeholders to access international climate funds and different types of funding options available for climate adaptation and mitigation projects globally.

The guiding manual contributes to achieving the policy objective of Nauru Climate Change Policy, 2020, which aims to '*facilitate effective use of the opportunities, particularly financial, available both nationally and internationally*' and policy measures that aim to utilise funding opportunities available through the Green Climate Fund (GCF), Global Environment Facility (GEF) and Adaption Fund (AF), as well as new funding opportunities made available for the Pacific region.

The Republic of Nauru's updated Nationally Determined Contributions (NDCs; 2021) set the country up to progress towards its aim of achieving net zero greenhouse gas emissions by 2050. These updated NDCs are intended to cover the period from 1 January 2021 to 31 December 2030. Achieving this

ambitious goal will depend upon the effective mobilisation of sufficient international financial, technical and capacity-building support. This ambitious effort must be pursued in tandem with urgent adaptation actions, including the full realisation of the Higher Ground Initiative<sup>1</sup>, along with major improvements to national food security, water security, and public health and safety. This guiding manual on climate finance aims to increase the capacity of a wide range of stakeholders, including government, civil society organisations and the private sector, to mobilise climate finance and support climate action in Nauru.

## 1.2 Objectives

The goal of the guiding manual is to provide a comprehensive and practical knowledge resource for stakeholders involved in climate finance in Nauru. It aims to help ensure that climate finance is used effectively and efficiently to support the implementation of Nauru's NDCs and achieve its climate and Sustainable Development Goals.

This guiding manual has the following specific objectives.

- i. Identity and outline the required steps for stakeholders to access climate finance.
- ii. Overview the different sources of climate finance potentially available to Nauru.
- iii. Present several practical steps and tools to develop and implement climate finance projects, including guidance on project design, management, monitoring and evaluation.
- iv. Identify the key stakeholders and their role and responsibilities in accessing climate finance for the country.
- v. Provide guidance on how to engage with different stakeholders to build the necessary capacity and support for climate action in the country; and
- vi. Review and identify challenges and opportunities for accessing climate finance in the country.

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1 <https://www.climatechangenauru.nr/higher-ground-initiative>

## 2. Climate Finance

Climate finance, as defined by the United Nations Framework Convention on Climate Change (UNFCCC), is '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' (UNFCCC 2021).<sup>2</sup>

The need for climate finance is also highlighted in Article 9 of the Paris Agreement, 2015. It reaffirms that developed countries shall provide financial resources, progression beyond previous efforts, and encourages other parties to voluntarily provide support; it also calls for the alignment of global financial flows with a low-carbon climate resilient pathway (Article 2.1c).

### 2.1 International climate finance landscape

To transition the world's economy to a low-carbon path and build resilience of vulnerable communities to climate change, a major role must be played by international climate finance from both public and private sources. The climate finance needs of developing countries are significant due to their inherent climate vulnerabilities and low preparedness. Direct government funding is scarce, while finances committed by developed countries are inadequate against financing needs. At the same time, there is a lack of capacity to utilise those financial resources that are available (Roy 2022).

Globally, the climate finance flows have steadily increased to nearly USD 1.3 trillion per year in 2021/2022 and much more is needed to keep global temperature rises within 1.5°C by the end of this century and avoid the worst impacts of climate change.<sup>3</sup> The first *Needs Determination Report of the Standing Committee on Finance* in 2021 shows nearly USD 6 trillion is needed to implement developing countries' climate action plans by 2030, and this does not include the full cost for adaptation.<sup>4</sup> When

these figures are considered, the USD 100 billion annual goal that is usually benchmarked, is only a small piece of the USD 4.35 trillion puzzle. Both public and private levels of funding need sustained growth to ensure that countries like Nauru can get on a pathway to meet climate investment needs up until 2030 and beyond (ibid.).

### 2.2 Need for climate finance for Nauru

Nauru, like other Pacific countries, is disproportionately impacted by climate change. The government of Nauru has updated its NDCs and is presently costing the actions it needs to take. These costs will provide a clearer picture of the country's financing needs to meet its climate change priorities. The total cost of the identified climate change adaptation and mitigation projects in Nauru's NDCs is estimated to be 118.9 million Australian dollars (AUD) and this is conditional on funding from international donors.

The funds under the UNFCCC finance mechanism have been a constant and significant contributor to the overall climate finance landscape in Nauru. The country has accessed climate finance from all the relevant funds: the Global Environment Facility (GEF), the Green Climate Fund (GCF) and the Adaptation Fund. Nauru has recently received approval for its first project funded by the Adaptation Fund, while there are two projects and three readiness support projects funded by the Green Climate Fund. The GEF has supported 15 climate change projects in Nauru to enhance an environment in the country that is conducive to the scaling up of climate action. To date, Nauru has obtained more than USD 11.10 million in grants from the GEF and co-financing of USD 58.20 million for seven projects (five national projects and two regional/global projects). Nauru has obtained more than USD 29.3 million GCF financing from two full-scale projects and USD 2.1 GCF financing from three readiness support projects so far.

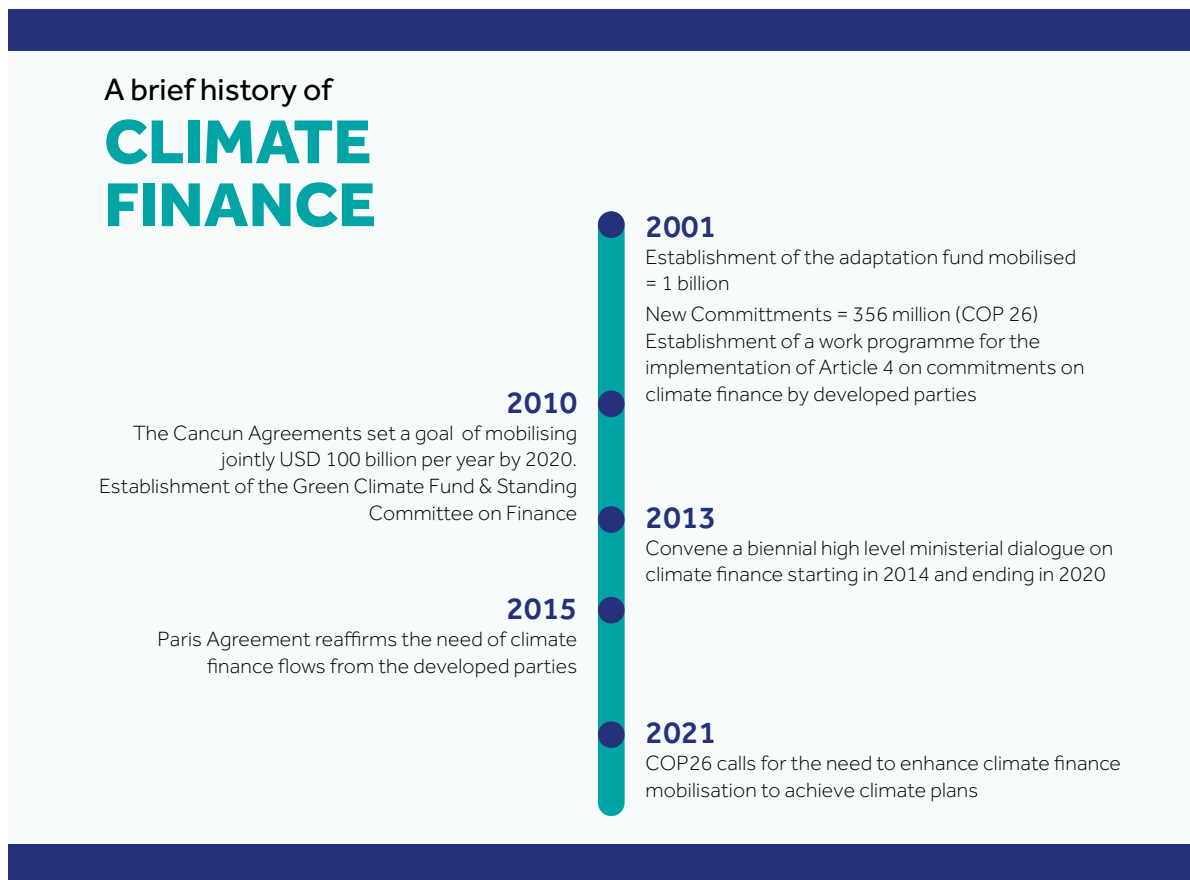
Nauru accessed the Adaptation Fund's full country allocation of USD 7.99 million through the Resilient Coastal Fisheries and Aquaculture in Nauru project in 2023.

2 See: <https://unfccc.int/topics/introduction-to-climate-finance>

3 <https://www.preventionweb.net/news/top-down-climate-finance-needs#:~:text=While%20global%20climate%20finance%20has,worst%20impacts%20of%20climate%20change.>

4 <https://unfccc.int/news/from-billions-to-trillions-setting-a-new-goal-on-climate-finance>

Figure 2.1. Milestones in climate finance history



Source: UNFCCC (2021)

### 2.3 Rationale and need for a guiding manual

The Republic of Nauru is situated in the Western Pacific Ocean and is one of the smallest countries in the world. With a land area of 21 km<sup>2</sup> and 13,000 residents, the remote island is highly vulnerable to climate change stressors such as sea level rise and prolonged droughts. According to various assessments, Nauru's mean temperature has increased by around 0.15 to 0.25 degrees celcius per decade since 1950, while the sea surface temperature has increased in the same proportion. Given the low altitude of the island and increasing temperatures, Nauru has experienced sea level rise of about 5 mm per year since 1993. This is a clear indication of the threat the people of Nauru are exposed to, as the rate of sea level rise is even higher than the global average of 2.8–3.6 mm per year. Nauru is highly vulnerable to the adverse impacts of climate change on coastal infrastructure, food security, water security, public health and safety, and local terrestrial and marine ecosystems.

However, accessing international climate finance can be complex and challenging, especially for small Pacific countries like Nauru. A guiding manual could help to explain the processes and provide practical guidance on how to access and use these funds effectively. The guiding manual could also provide information on the various sources of international climate finance available to Nauru, including the GCF, GEF, AF, and bilateral and multilateral development assistance.

There is a need to build Nauru's capacity to unlock climate finance and to provide support in achieving its national climate priorities for sustainable development. As part of the Commonwealth Climate Finance Access Hub (CCFAH) project, this guiding manual is being developed to act as a ready reference resource to enable all related stakeholders to access international climate finance in the country. In addition, the guiding manual could highlight successful case studies and best practices in accessing and using international climate finance,

which could serve as models for other organisations and stakeholders looking to replicate them – as per their needs and requirements.

Overall, this guiding manual will be a valuable resource for policy-makers, civil society organisations and other stakeholders in the country to achieve the NDCs' (2021) ambitious goals and the Nauru Climate Change Policy (NCCP) (2020) objectives, which aim to access climate finance for climate-resilient and compatible development in the country.

## 2.4 Barriers to accessing climate finance in Nauru

Nauru has limited access to climate finance due to several institutional, regulatory and technical capacity barriers from both domestic and international donors. The barriers require different and specific approaches to improve access to international and national climate finance. The major barriers in accessing climate finance are as below.

### i Low level of awareness about needs and sources of climate funding

There is limited awareness about the need and sources of climate funding in the country, resulting in Nauru not being able to access such funding. Nauru needs the AUD 118.9 million required for fulfilling its NDC commitments from 2021 to 2030.<sup>5</sup> An analysis of previous project fundings obtained by the Republic of Nauru that are already completed or nearing completion, established that there is a significant gap in the amount of funding available and the amount of funding required.<sup>6</sup> Nauru's NDCs are conditional on international support. Therefore, there is a need to create awareness around all climate funding opportunities through development of knowledge management products like this guiding manual, to access international climate finance, climate change project development training of in-country experts, and to learn about processes for accreditation for direct access.

5 *Republic of Nauru Updated Nationally Determined Contribution, 2021 and Climate Finance Landscape for Republic of Nauru, 2024.*

6 *Pacific Climate Change Finance Assessment Nauru case study, 2013.*

### ii Co-financing and counterpart contributions challenges

Co-financing and counterpart contributions have become important for many donors and funds including the GCF, GEF etc. However, domestic economic constraints have put additional pressure on the Government of Nauru and other prospective national-level partners to commit to co-financing. This has slowed down the levels of ambition for tapping into exciting climate finance opportunities. It can also delay or sometimes cause available climate funding opportunities to be missed altogether by the country. Such challenges can be a barrier to accessing international climate finance for small countries like Nauru.

### iii Difficulty in meeting climate funds' procedures and standards

There is a lack of awareness about the availability of funding and choosing the correct source of funding. As different climate finance instruments have different procedures, the procedure of a particular fund and its requirements may not be clear, hampering understanding. However, nearly all the major international climate finance instruments require strong fiduciary capacities, adherence to social and environmental safeguards, and capacities related to implementing entity's roles and responsibilities. Once the organisations have been assessed against these standards, these funds also provide direct access to climate finance like the Green Climate Fund (GCF) and Adaptation Fund (AF). Fulfilling such standards to access direct funding, is difficult for countries like Nauru. However, these countries can also secure climate finance through regional and international accreditation entities.

### iv Limited capacity to design projects/ programmes and monitor and evaluate their progress

Like other Pacific countries, there is limited capacity to design projects/programmes and monitor and evaluate their progress in Nauru. Apart from the human resources needed to develop climate change project proposals, the absence of an integrated strategic framework to access climate finance also contributes

towards lower capacity. To maximise the climate benefits through limited financing options and quantities, a well co-ordinated and integrated framework for climate finance is required. Currently, climate finance is accessed through a case-by-case and reactive process. This must be transformed towards a better integrated and supportive process. Training of in-country experts, establishing institutional co-ordination platforms, project pipeline development and so on, are important aspects in overcoming the capacity gaps and addressing the capacity challenge. Commonwealth National Climate Finance Advisers under CCFAH have been placed in several countries including Nauru to build the capacity of those governments and other stakeholders to address such barriers.

#### v **Lack of integrated policies and institutions**

Along with institutional capacity issues, there is a lack of coherent policies, plans, and legal and regulatory frameworks, supplemented through budgets, and no clear set of priorities for adaptation and development. To enhance access to climate finance, there is a strong need to harmonise Nauru's development plans and policies towards achieving low-carbon and resilient development. Moreover, government institutions need to improve co-ordination among themselves to present a stronger and more coherent case to international climate finance institutions, while priorities need to be aligned and synched with country development objectives. Lack of integrated policies, which mainstream climate change into the planning and development process, can be another barrier to securing climate finance for the country.

#### vi **Lack of climate change tracking in development expenditure**

Tracking of access to and utilisation of climate finance is an important part of overall climate finance mobilisation. It enables the government and other stakeholders to make informed decisions regarding climate finance and investments, with a deeper analysis of trends and distributions. Nauru does not have such a system or process in place. The country needs to integrate climate budgeting and

tagging into financial processes, to account for all national development expenditures that relate to climate change. This tagging is important as it provides key insights on the climate expenditures that are made through the development budget and also supports in presenting a stronger case to international climate and/or public finance institutions for accessing additional international climate finance.

## 2.5 Beneficiaries of the climate finance guiding manual

The probable beneficiaries of this guiding manual in Nauru will include government agencies, civil society organisations (CSOs) and any other entity that would like to leverage climate finance from international climate funds. This guiding manual aims to improve climate finance flows in the country and help in achieving Nauru's resilience to the impacts of climate change to aid sustainable development.

**Government organisations:** Public sector departments working towards low-carbon and resilient development and other project-executing entities can utilise this guiding manual to develop climate finance strategies, policy frameworks and projects to secure climate finance. The guiding manual provides guidance for organisations that are seeking accreditation to the various funding lines; for National Designated Authorities (NDAs) in accelerating endorsement of bankable projects; and for government entities looking to develop climate change projects through climate finance.

**Civil society organisations:** CSOs play a meaningful role in building community resilience and making progress towards national climate objectives. This guiding manual can support these entities when they are developing project proposals and identifying the most suitable funding lines using innovative financing approaches.

**Private sector:** The private sector can utilise this guiding manual to develop low-carbon and climate-resilient projects and achieve their sustainability, along with climate mitigation and adaptation targets, by helping them secure additional finance for their initiatives by accessing international climate finance. Although there are few climate change activities taking place in Nauru's private sector, private sector actors may play a role in this area in future.

## 2.6 Role of National Designated Authority (NDA)

The Department of Climate Change and National Resilience (DCCNR) is the National Designated Authority (NDA) for the Republic of Nauru and plays a crucial role in facilitating the country's access to climate finance. The NDA is responsible for co-ordinating and promoting the use of financial resources from international climate funds, including the Green Climate Fund (GCF), and the other climate change activities in the country.

The NDA serves as the main point of contact between the Government of Nauru and international climate funds and is responsible for identifying, developing and submitting proposals to these funds. The NDA also works with other government departments, development partners, civil society organisations and private sector entities to identify and prioritise climate finance needs and opportunities in the country.

The role of the NDA is vital in accessing international climate finance. Almost all international climate finance funds require a 'no objection' letter and/or endorsement letters from the NDA. The role of the NDA is defined here as the following chapters contain information on how it can help in accessing international climate finance.

In addition to its role in accessing climate finance, the NDA also has a mandate to promote the integration of climate change considerations into the country's development planning and decision-making processes. This includes working with relevant government departments to develop and implement policies and programmes that support the transition to a low-carbon and climate-resilient/compactable development path.

Overall, the role of the NDA is crucial in helping Nauru secure the financial resources it needs to address the impacts of climate change and transition to a more sustainable development path. The role of the NDA in accessing climate finance is illustrated in Figure 2.2.

**Figure 2.2. The role of Nauru's National Designated Authority**



# 3. Climate Change Project Development

To obtain funding through climate finance, projects have to be developed according to the specific procedures and standard requirements of a particular fund. Most funds require fiduciary capacities, adherence to social and environmental safeguards, and capacities related to an implementing entity's roles and responsibilities, along with strong project impact indicators. The projects are assessed against these standards before providing them with finance, to ensure that the funds are used in a transparent and effective manner. To prepare proposals for obtaining climate finance, the following approach could be used in climate change project development.

The project development steps are as follows.

- **Step 1: Climate finance screening.** Identify a project or programme's eligibility for climate finance.
- **Step 2: Identification of incremental costs.** This is the amount of the funding required for all activities of a particular programme/project that are in addition to 'business-as-usual' expenditure.
- **Step 3: Identification of funding source.** This takes place to identify the correct source of climate finance for a particular programme/project.
- **Step 4: Funding source analysis.** Conduct analysis of accessible funding sources and other requirements.

## 3.1 Developing climate finance project proposals

Identifying a project or programme's eligibility for climate finance is the first stage in the project development process. This entails evaluating the initiative's focus on measurable adaptation and/or mitigation or assessment of its sectoral climate change impacts. In general, there are two types of projects: those that integrate adaptation and mitigation components into ongoing projects or programmes, like climate proofing in different sectors, cross-cutting areas like capacity building

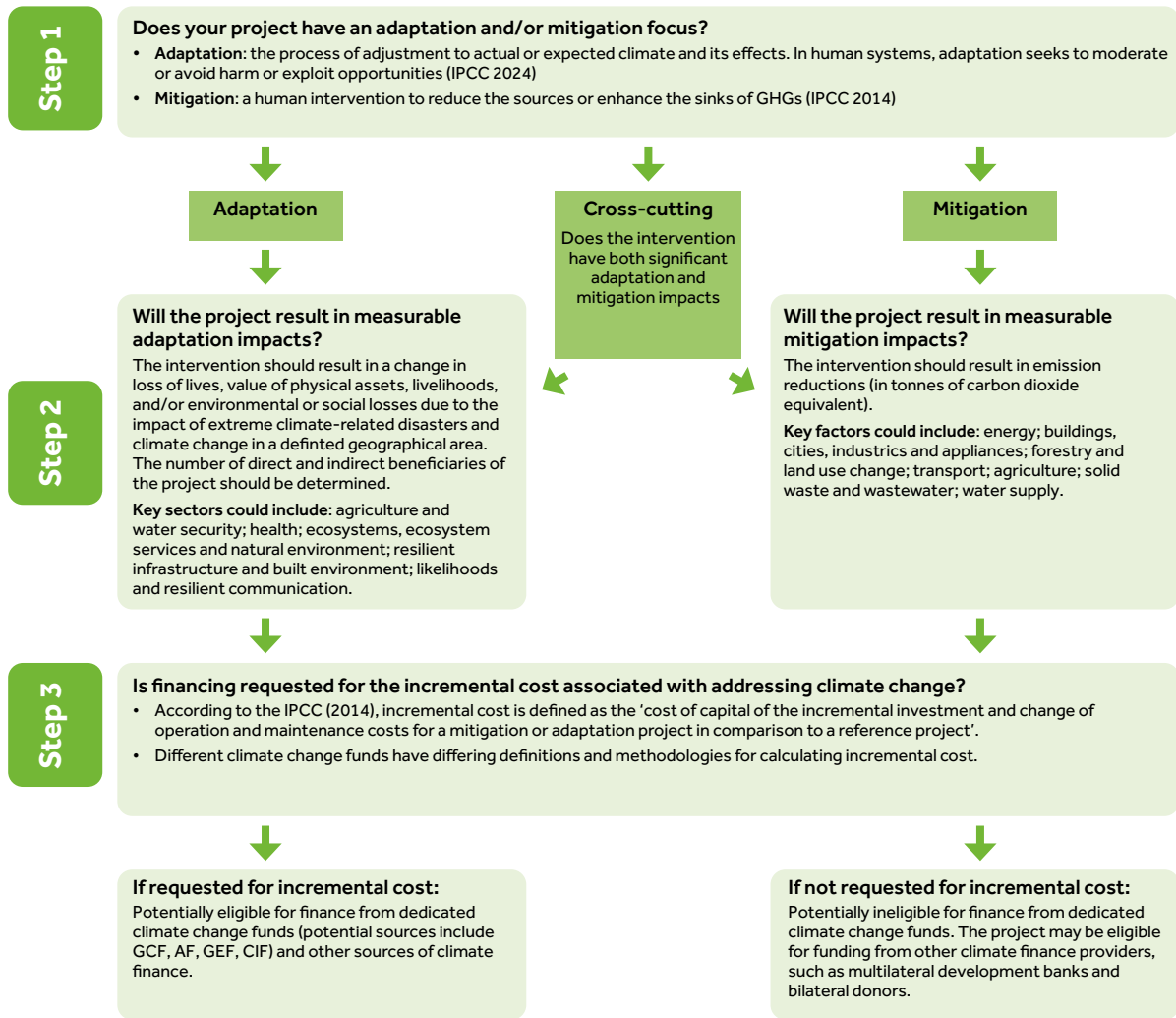
etc., and those that are entirely focused on adaptation or mitigation. This process can be complemented by conducting climate vulnerability assessments or using available climate vulnerability assessments, which can assist in the climate finance screening process.

The next stage is to establish whether the financing requested is equivalent to the 'incremental cost' associated with addressing climate change. According to the Intergovernmental Panel on Climate Change (IPCC 2014), incremental cost is defined as the 'cost of capital of the incremental investment and change of operation and maintenance costs for a mitigation or adaptation project in comparison to a reference project'. According to the Green Climate Fund (GCF), these are the extra project costs incurred for any additional mitigation and adaptation components in comparison to a hypothetical baseline project. The steps involved in the development of climate finance proposals are further clarified in Figure 3.1.

## 3.2 Identifying suitable climate financing instrument

While there are increasing numbers of climate finance sources available, this does not mean it is easy for countries like Nauru to access these sources. To make sure that organisations can find the correct sources of climate finance, analysis of funding sources that are accessible, their requirements and the situational context of recipient projects is essential. For example, the model of direct access could maximise the use of climate finance by national institutions. However, in the short term, it may not be feasible for some organisations to put in place the local frameworks necessary to meet accredited fiduciary or other environmental and social standards. So, in this situation, the country may apply for climate funding through regional and international accreditation entities.

Figure 3.1 Developing projects for obtaining climate finance



Source: Nair and Jevanic (2022)

### 3.2.1 Understand country needs and context

The organisations preparing project proposals need to have a clear understanding of the needs of the country, with a focus on the following areas before preparing the proposal. They should first:

- analyse the roles and capabilities of domestic institutions in obtaining and directing climate finance;
- analyse specific mitigation and/or adaptation requirements outlined in policy, considering sectoral actions, key stakeholders, national adaptation priorities and NDCs; and
- analyse national climate budgeting systems to ensure they meet the required standards of climate finance.

### 3.2.2 Obtain a clear understanding on relevant funding sources and select a suitable financing channel

The organisations preparing project proposals and the NDA should both have a clear understanding of climate funds and their pre-requisites, so that projects are submitted to the relevant fund by fulfilling their necessary obligations. The following major points should be considered for finding and selecting a relevant funding sources. The organisations/NDA should:

- collect and evaluate the data on potential climate fund options offered at the bilateral, multilateral and private sector levels;

- create a list of all applicable climate finance funds, along with compiling information on funding windows, requirements and allocation caps;
- ensure that existing national structures, along with fiduciary, environmental and social standards, are following international climate finance funds and their access modalities; and
- after initial assessment, select the fund that is more easily accessible and feasible for the country.

### 3.3 Climate change funds and requirements

Currently, there are several funds and instruments available in the market that are based on the principles of climate finance, with different funding limits and approval processes. The details of major climate change funds are provided below.

#### 3.3.1 The Global Environment Facility

The Global Environment Facility (GEF) is a major funding facility that provides funding to projects aimed at improving the global environment. The GEF's major structural elements are shown in Table 3.1. The GEF partners with 184 countries, international institutions, the private sector and civil society organisations to address issues around the global environmental and support sustainable development initiatives.

The following four funds are managed by GEF:

1. Special Climate Change Fund (SCCF)
2. GEF Trust Fund
3. Least Developed Countries Fund (LDCF)
4. Capacity-Building Initiative for Transparency (CBIT)

**The Special Climate Change Fund (SCCF).** The SCCF funds regional and national projects in the specific sectors of technology transfer and capacity building, along with economic diversification and mitigation projects in the transport, energy, agriculture, forestry, industry and waste management sectors.

**The GEF Trust Fund.** The GEF Trust Fund serves as one of the financial mechanisms of the UNFCCC. The fund supports the implementation of multilateral environmental agreements. One of its many initiatives, the small grants programme, promotes community-based innovation, capacity development, and the empowerment of communities and civil society organisations.

**The LDCF.** The Least Developed Countries Fund (LDCF) aims to address the special needs of least developed countries under the Climate Convention. The LDCF supports projects that address the urgent and immediate adaptation needs of these countries, focusing on reducing the vulnerability of sectors and resources that are central to human and national development, such as water, agriculture and food security; health; disaster risk

**Table 3.1. Global Environment Facility structure**

<b>GEF Council</b>	The Council, the GEF's main governing body, comprises 32 members appointed by constituencies of GEF member countries
<b>Scientific and Technical Advisory Panel (STAP)</b>	It provides the GEF with scientific and technical advice on policies, operational strategies, programs and projects
<b>Independent Evaluation Office</b>	It works with the Secretariat and the GEF Agencies to share lessons learned with best practices. The Office undertakes independent evaluations of GEF impact and effectiveness
<b>GEF Secretariat</b>	It coordinates the overall implementation of GEF activities, led by a Chief Executive Officer (CEO)-Chairperson, appointed by the Council. The Secretariat implements decisions of the Assembly and the Council
<b>GEF Focal Points</b>	Each of the GEF member countries has designated government officials responsible for GEF activities and they serve as the liaison with the Secretariat and the GEF agencies

management and prevention; and infrastructure, as identified and prioritised in their National Adaptation Programmes of Action.

**The Capacity-Building Initiative for Transparency (CBIT).** The CBIT funds projects that help countries in enhancing technical capacities and institutional strengthening to comply with the enhanced transparency requirements defined in Article 13 of the Paris Agreement.

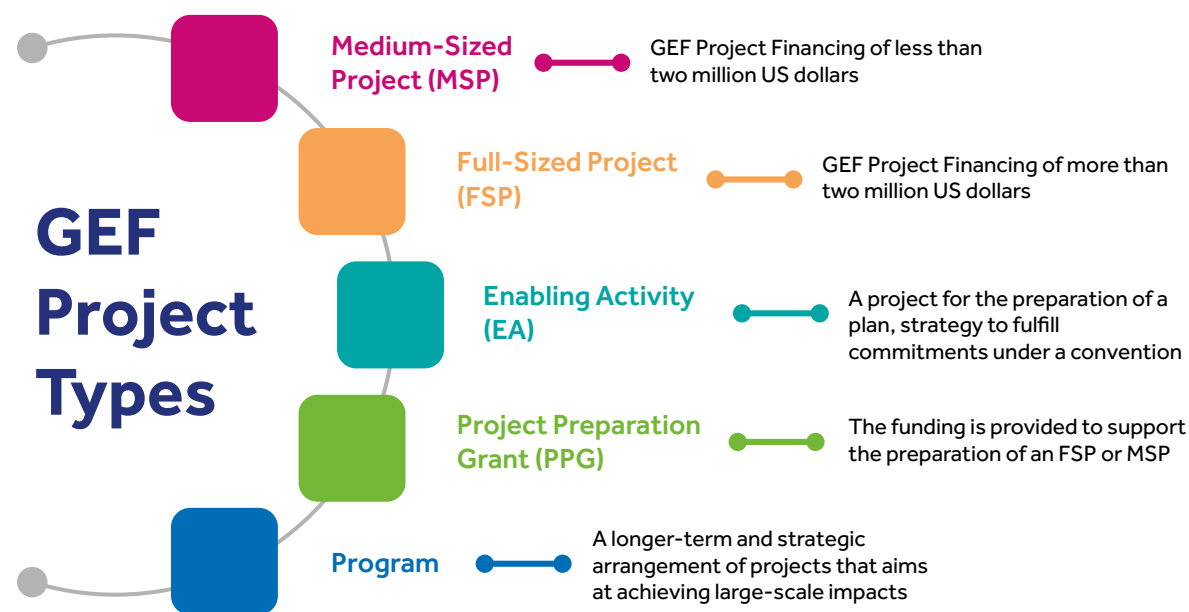
### 3.3.1.1 Eligibility criteria

The eligibility criteria for GEF funding for projects are defined as follows.

- National priority**  
 The project should be aligned with the country’s national priorities and sustainable development agenda, as well as being led by the country itself rather than by any external partner.
- GEF priorities**  
 The project must address one or more GEF focal area strategies (international waters, land degradation, biodiversity, climate change mitigation, and chemicals and waste, as well as cross-cutting issues like sustainable forest management).

- Financing**  
 The project must only apply for GEF funding for the agreed-upon incremental costs of measures to achieve global environmental benefits. According to the co-financing conditions, GEF-funded projects shall be matched by funds provided by the grant-seeker. In its review of individual projects and programmes, the GEF Secretariat does not impose minimum thresholds or specific types or sources of co-financing or investment mobilised. The co-financing can be obtained from public and private, domestic and international, agencies and/or institutions.
- Participation**  
 Relevant stakeholders, including the public, shall be involved in project design and implementation and adhere to the public involvement policy and guidelines for GEF-funded projects.
- Choice of GEF agency**  
 The GEF has 18 Partner Agencies which includes Multilateral development banks (MDBs) and UN Agencies like IUCN, UNDP, UNEP and WWF. The Operational Focal Point Department of Environmental Management and Agriculture (DEMA), Government of the Republic of Nauru decides which

Figure 3.2. GEF project types



Source: Global Environment Facility (2021)

Agency would be best suited to develop and implement the project idea. This is an important decision since the Agency will be the partner at all stages of the project or program.

### 3.3.1.2 Types of projects

The GEF provides funding through four modalities: full-sized projects, medium-sized projects, enabling activities and programmatic approaches. The selected modality should be the one that best suits the project objectives. Each modality requires completion of a different template. Figure 3.2 illustrates GEF project types.

### 3.3.1.3 Approval processes

The endorsement and approval of the country's GEF Operational Focal Point is necessary before the submission of the project proposal. The project approval processes are illustrated in Figure 3.3 and explained below.

**Step 1.** The GEF approval process begins with the submission of a project or programme proposal by a developing country government or other eligible entity. A pre-selection process is used by the GEF to identify and prioritise suitable projects for admission to the formal project cycle. This process begins with the submission of a project or programme proposal, which is reviewed and evaluated by a team of technical experts. Based on this initial review, the proposal may be selected for further consideration or rejected. If the proposal is selected for further consideration, it is subjected to a more detailed analysis, including a cost–benefit analysis, to assess its potential benefits, risks and costs. Based on the results of this analysis, the proposal is either recommended for admission to the formal project cycle or rejected.

**Step 2.** The Project Identification Form (PIF) is a document used by the Global Environment Facility (GEF) to assess the potential eligibility and viability of a proposed project or programme. It includes information on the project's objectives, expected outcomes, and the environmental and development challenges it aims to address. The Project Preparation Grant (PPG) is a grant provided by the GEF to support the development of a project proposal. It can be used to fund activities such as feasibility studies, stakeholder consultation and the development of a detailed project design.

To request a PPG, the project proponent must complete a PIF and submit it to the GEF for review. If the PIF is deemed eligible and meets the necessary criteria, the GEF may provide a PPG to support the further development of the project proposal. The PIF and PPG are important steps in the development of a project proposal for the GEF and are designed to ensure that the proposal is of high quality and aligns with the GEF's mandate and priorities. As mentioned above, the GEF supports projects related to biodiversity, climate change, international waters, land degradation, the ozone layer and persistent organic pollutants.

**Step 3.** The detailed funding proposal is submitted to GEF for consideration of funding. Detailed proposals include all the analysis and design necessary for the project.

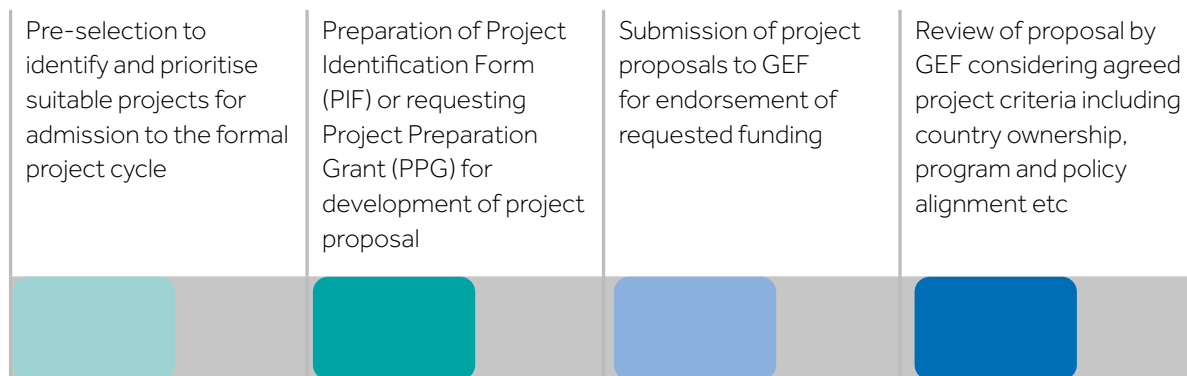
**Step 4.** The proposal is then reviewed and evaluated by a team of technical experts, who assess its potential environmental, social and economic impacts, as well as its alignment with GEF policies and priorities. If the proposal is deemed eligible and meets the necessary criteria, it is presented to the GEF Council for consideration. The GEF Council decides on whether to approve, partially approve or reject the proposal based on the recommendations of the technical experts and the Council's own assessment. If the proposal is approved, the GEF provides financial and technical support to the implementing entity to carry out the project or programme.

### 3.3.1.4 GEF project cycle for medium-sized projects (below USD 2 million)

#### 1. Medium-sized project (MSP) – one step approval/No Project Identification Form required:

- The (MSP) request prepared by a partner agency is submitted to the respective GEF Operational Focal Point for endorsement. MSP approval requests are reviewed by the GEF Secretariat on a rolling basis.
- After reviewing an MSP request, the GEF Secretariat asks for additional information or rejects the proposal if it does not meet the approval criteria.
  - The partner agency then submits the revised MSP approval request after incorporating any required further information and comments.

**Figure 3.3. GEF approval process**



Source: Global Environment Facility (2020)

- If the criteria are still unmet and the response to the previous comments is not adequate, the GEF Secretariat requests further information.
- Once it is determined that the project proposal meets the GEF criteria, the decision is made by the GEF Chief Executive Officer (CEO) to approve the project or not.
- The GEF Secretariat reviews the MSP approval request in conjunction with the approved PIF. The agency is required to submit a revised MSP in response to any comments.
- Once the MSP request is approved by the GEF Secretariat, it is sent to the CEO for approval.

**2. Medium-sized project – two step approval:**

- The partner agency – at the request and in consultation with country institutions and relevant stakeholders – submits the Project Identification Form (PIF) after endorsement of the GEF Operational Focal Point of the country. The partner agency may request a Project Preparation Grant.
- After reviewing the PIF, the GEF Secretariat asks for additional information or rejects the proposal if it does not meet the approval criteria.
- The agency incorporates the comments and submits a revised PIF.
- Once it is determined that the project proposal meets the GEF criteria, the decision is made by the GEF CEO to approve the PIF or not.
- After PIF approval, the MSP approval request and project proposal are prepared by the agency and submitted to the GEF Secretariat.

**3.3.1.5 GEF project cycle for full-sized projects (over USD 2 million)**

- i. The project concept note prepared by the partner agency – at the request and in consultation with country institutions and relevant stakeholders – is to be submitted to the GEF Secretariat through the Project Identification Form (PIF) after endorsement by the country’s GEF Operational Focal Point.
- ii. The GEF Secretariat evaluates each qualified PIF, considering relevant GEF strategies, policies and guidelines, as well as provisions outlined in a review sheet which included review criteria, specific questions, Secretariat Comment at PIF (PFD)/Work Secretariat Comment At CEO Endorsement(FSP)/ Approval (MSP) work program inclusion, which provides feedback to the agency.
  - If the PIF is not in compliance with the criteria for approval, the GEF Secretariat either rejects the PIF or requests additional information.
- iii. The agency incorporates the comments and submits a revised PIF.

- If the criteria are still unmet and the response to the previous comments is not adequate, the GEF Secretariat requests further information.
  - If the revised PIF introduces new design and project elements that require further clarification or improvement.
- iv. After the GEF Secretariat approves the project proposal, the CEO determines whether to include the project in a work programme, which is subsequently reviewed by the GEF Council.
- The GEF Council reviews and provides comments on the work programme prior to, during and within two weeks of each Council meeting.
  - The GEF Council decides whether to exclude any PIF from the proposal or approve the entire work programme.
- v. After PIF approval and before the deadline for submission of a complete endorsement request, the agency submits to the GEF Secretariat a CEO endorsement request and project document that is in a form as submitted to the agency's internal approving authorities:
- Included in the CEO endorsement request is a description of how the GEF Council members' comments have been considered.
  - The GEF Secretariat reviews the CEO endorsement request and project document for consistency with the approved PIF, taking into consideration the relevant GEF strategies, policies and guidelines, including provisions set forth in a review sheet; and to ensure that any comments provided by the GEF Council, the Scientific and Technical Advisory Panel, Convention secretariats and other agencies have been adequately addressed.
- vi. If the proposal is not in compliance with the specified criteria for the endorsement, the GEF Secretariat may ask for revision.
- The agency then submits the revised CEO endorsement request and project document after incorporating the required information and comments.
- vii. The CEO endorses the project after the GEF Secretariat determines that the project proposal meets the required conditions.
- viii. After CEO endorsement, the agency approves the project following its own internal procedures and begins implementation.

### 3.3.2 Green Climate Fund (GCF)

The mandate of GCF is to promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions (mitigation) and to adapt to the impacts of climate change (adaptation). GCF is an operating entity of the Financial Mechanism of the UNFCCC under its Article 11 and contributes to the achievement of the ultimate objective of the UNFCCC, which is to stabilise greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. The GCF is accountable to and functions under the guidance of the Conference of the Parties (COP), which provides guidance on a yearly basis on policies, programme priorities and eligibility criteria that is then reflected in the GCF Programming frameworks accordingly (GCF Guidebook Series, Programming Manual, 2020).

GCF has made several windows available for financing and technical support, taking a programmatic approach to implementing climate actions. These include:

- i. funding for adaptation and mitigation;
- ii. the Private Sector Facility, which includes pilot programmes for mobilising resources at scale and support to micro, small and medium-sized enterprises;
- iii. the Readiness and Preparatory Support Programme (which includes a Project Preparation Facility and a programme for national adaptation planning);
- iv. a REDD+ (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) results-based payment programme; and

- v. an Enhanced Direct Access Programme, designed to strengthen access for subnational, national and regional, public and private entities.

### 3.3.2.1 GCF funding modalities

GCF funding modalities are divided into the following five broad categories.

1. **Readiness and Preparatory Support Programme.** The 'Readiness Programme' is designed to assist developing countries to address weaknesses, challenges and gaps in institutional capacities, governance mechanisms, and planning and programming frameworks, so they can effectively engage with the GCF and make a meaningful contribution towards building climate resilience.
2. **Project Preparation Facility (PPF).** The PPF is designed to assist accredited agencies, especially in developing countries, with financial and technical resources to develop programme and/or project proposals, including for Simplified Approval Process (SAP) financing (see below). It is aimed at providing support for access to funds within the micro to small-sized categories. Accredited entities can access up to USD1.5 million following approval of their PPF application, with funding provided in the form of grants and repayable loans.
3. **Funding proposals.** Through this modality, international, regional and national accredited entities can directly access financing from GCF for climate change projects and/or programmes. Accredited entities may submit proposals to the GCF at any time or when the GCF publishes a request for proposals. As funding proposals are partially funded by the GCF, proposals must clearly indicate a co-financing facility from a partner organisation in the public or private sector.
4. **Simplified Approval Process (SAP).** SAP financing is intended for small-scale projects or programmes that build on current initiatives, have identified solutions and technologies and that require financial contributions from the GCF of no more than

USD10 million. It is also intended for projects with low environmental and social risks and impacts.

5. **Enhanced Direct Access (EDA).** The EDA is GCF's pilot programme, aiming to provide direct access entities with the tools and resources necessary to increase country ownership over projects and programmes. For EDA, a facility is established at the regional or national level that deals specifically with the financing of small-scale projects. EDA is only available for accredited direct access entities, as they frequently provide grants and use other innovative finance mechanisms like on-lending or blended finance.

When formulating a project or programme proposal for the GCF, there are two choices. The first is a one-step procedure in which the applicant develops the entire financing proposal and presents it to the GCF for review. The second is a recommended two-step procedure in which a concept note is prepared and presented for input before the preparation of a complete funding proposal, as the feedback received helps increase the chances of approval.

At this stage, NDAs or Focal Points should be consulted for their endorsement and approval of the concept note. Without the intervention of an accredited entity, NDAs or Focal Points can also submit their own concept notes. Following submission, the GCF Secretariat undertakes a preliminary evaluation and can either endorse, return with feedback or reject the concept note. Once the concept note is endorsed, the detailed funding proposal can be prepared and then submitted to the GCF Secretariat, along with a 'no objection' letter from the respective Focal Point of a particular NDA.

### 3.3.2.2 GCF project life cycle

The GCF project activity cycle, as approved by the Board, consists of the following key stages (GCF Guidebook Series, Programming Manual, 2020.), as shown in Figure 3.4.

- i. Country and accredited entity work programmes
- ii. Targeted generation of projects
- iii. Concept note submission
- iv. Funding proposal development

- v. Funding proposal review
- vi. Board approval
- vii. Legal arrangements

In addition, the following stages are related to portfolio management and implementation of GCF approved projects:

- viii. Monitoring for performance and compliance
- ix. Adaptive management
- x. Evaluation, learning and project closure

Prior to the submission of a proposal to the GCF, a no objection letter is required – which is issued by the relevant country NDA, Focal Point. The NDA or Country Focal Point must ensure that the project is aligned with country's priorities, plans, strategies and its sustainable development. The NDA also ensures that it is following national laws and regulations and in accordance with the GCF's environmental and social safeguards policy.

The following are the life cycle steps for a GCF project.

- i. The project idea is approved via a domestic screening process. In Nauru, the DCCNR endorses the project idea.
- ii. A concept note is prepared and submitted to the GCF for review (the development of a concept note is optional but recommended).
- iii. The accredited entity then develops a full funding proposal.
- iv. A no objection letter is obtained from the NDA on the full funding proposal. At this stage, efforts should be made to get indicative co-financing approved (including an allocation in the domestic budget if required).
- v. Once the funding proposal is submitted to the GCF Secretariat, with the required documents along with the no objection letter, the GCF Secretariat reviews the proposal and communicates its decision of GCF Board .

Figure 3.4 GCF Funding proposal review



Abbreviations: AE = accredited entity, NDA = National Designated Authority, ITAP = Independent Technical Advisory Panel.

Source: GCF Guidebook Series, Programming Manual (2020)

- vi. The GCF approval process is as below:
- An initial assessment of the submitted proposal will be carried out by the GCF Secretariat, along with an evaluation of the technical specifications and required documents (including an impact assessment to ensure it meets the GCF's project standards).
  - The GCF Secretariat will then undertake a detailed assessment of the project proposal, including assessing compliance with GCF investment criteria and policies. It will subsequently present its findings, assessments and project proposal to the Independent Technical Advisory Panel (ITAP).
  - The ITAP will evaluate the proposal against GCF investment criteria and may add conditions or recommendations.
    - If the GCF Secretariat and/or ITAP decides modifications are necessary, the accredited entity and National Designated Authority will make changes to the proposal to incorporate the recommendations and provide additional information.
  - Once the requirements are met, the funding proposal package is submitted to the GCF Board.
  - The GCF Board, which typically meets three times a year, considers the proposal and can choose one of three decisions.
    - i. approve funding
    - ii. approve funding with conditions and/or requests for modifications; or
    - iii. reject the proposal.

### 3.3.3 Adaptation Fund

The Adaptation Fund (AF) was established in 2001 to provide funding for practical adaptation projects and programmes for Kyoto Protocol-signatory developing nations that are most susceptible to the adverse consequences of climate change. The Adaptation Fund is financed with a share of proceeds from Clean Development Mechanism (CDM) project activities and other sources of funding. With more than USD 1.1 billion allocated, the Adaptation Fund gives developing countries

full ownership of adaptation projects, from planning through implementation, while ensuring monitoring and transparency at every step. Compared to traditional financing mechanisms, the AF approach contains innovative features, such as a mandate to give priority to the needs of particularly vulnerable populations, the opportunity for direct access to funds, and a relatively streamlined project cycle.

So far, AF has allocated US\$ 1.1 billion to climate adaptation activities, to 175 concrete, localised adaptation projects and 43 million beneficiaries in developing countries.<sup>7</sup>

#### 3.3.3.1 Project sectors for the Adaptation Fund

The Adaptation Fund finances climate adaptation projects in following nine diverse sectors.

- i. Agriculture
- ii. Coastal zone management
- iii. Disaster risk reduction
- iv. Disaster risk reduction and early warning systems
- v. Ecosystem-based adaptation
- vi. Food security
- vii. Forests
- viii. Multisector projects
- ix. Rural development
- x. Urban development
- xi. Water management

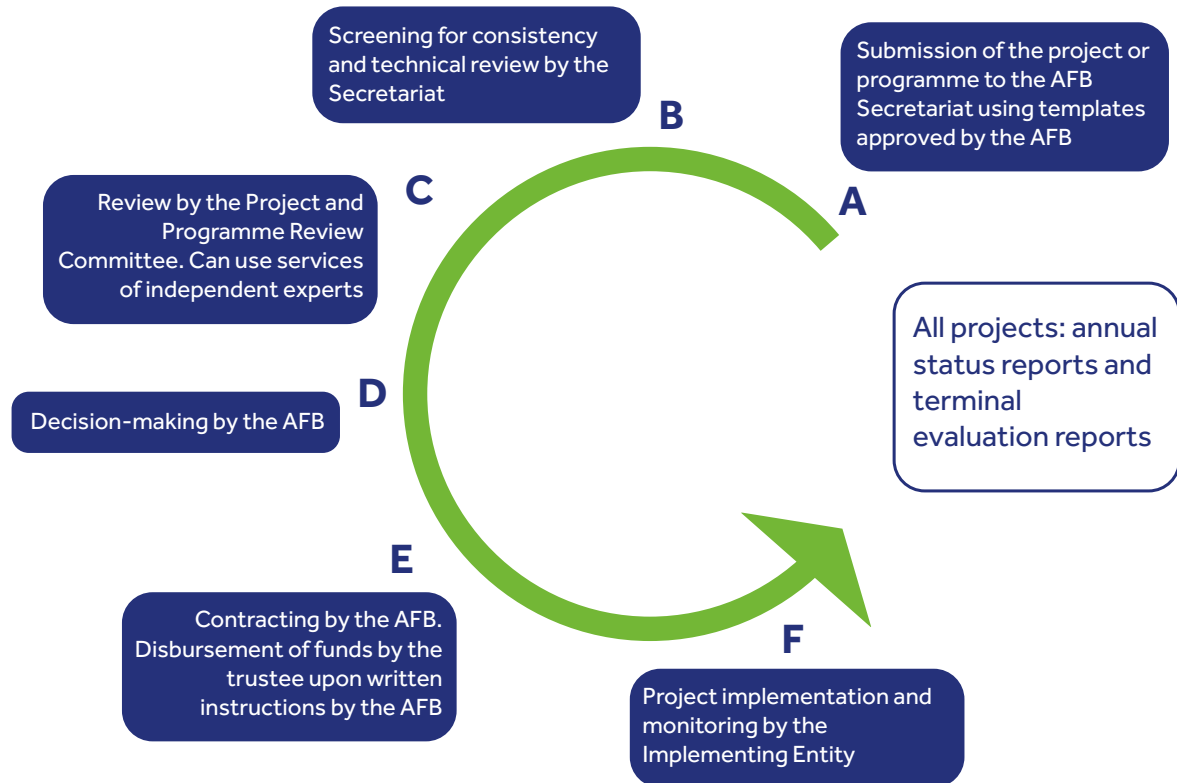
#### 3.3.3.2 Adaptation Fund project cycle

Projects and programmes must be submitted via implementing entities accredited by the AF Accreditation Panel, while finances can be accessed via an accredited national implementing entity or a multilateral implementing entity. Entities must satisfy the fiduciary and legal requirements outlined in the AF operational guidelines in order to become AF accredited. While national government entities typically apply to the AF, civil society organisations may also be involved in project implementation. Prior to the submission of a proposal to the

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7 <https://www.adaptation-fund.org/>

Figure 3.5. Adaptation Fund project life cycle



Source: Adaptation Fund (2016)

AF, endorsement is required from the National Designated Authority, which endorses the proposal on behalf of the government.

An overview of the project life cycle is presented below and in Figure 3.6.

1. The implementing entities submit a fully developed project proposal or a concept note, as per the AF proposal templates.
  - Along with the fully prepared project documents, a disbursement schedule with time-bound milestones will be submitted.
  - Proposals take place through the AF Secretariat to the Board, nine weeks before each AF Board meeting.
2. The AF Secretariat will technically review and check the proposal's alignment with criteria approved by the AF Board.
  - The Project and Programme Review Committee (PPRC) then evaluates the project proposal and a technical review is carried out by the AF Secretariat.
  - Feedback is conveyed by the AF Secretariat on project proposals and it requests implementing entities to supply further information or clarification.
  - The input received and the conclusions of the AF Secretariat's technical review will be incorporated into the review template.
3. Once requirements are fulfilled, the project proposals with technical reviews are sent to the PPRC by the AF Secretariat.
  - The PPRC will evaluate the proposals and make a recommendation to the Board for a decision during the meeting; if necessary, the PPRC will consult with independent adaptation specialists.

- In the case of 'concepts', the Board may endorse, reject or not endorse a proposal, with a clear explanation to the implementing entities.
- In case of 'fully developed proposals', the Board can approve, not approve or reject a proposal with a clear explanation.
  - Rejected proposals cannot be resubmitted.

### 3.3.4 Climate Investment Fund (CIF)

The Climate Investment Fund was created to provide concessional finance and scale up climate pilot initiatives in developing countries. The more than USD10 billion Climate Investment Funds (CIF) promotes changes in clean technology, energy availability, climate resilience and sustainable forestry in low- and middle-income countries. The large-scale, affordable and long-term funding provided by the CIF reduces the risk and expense of climate financing. In order to open up new financial possibilities, the CIF evaluates new business ideas, establishes a track record in unproven markets and inspires investor confidence. Since only multilateral development banks (MDBs) have access to CIF money and serve as implementing partners, there is no requirement for accreditation. The World Bank Group, including the International Finance Corporation, the African Development Bank, the Asian Development Bank, the European Development Bank, and the Inter-American Development Bank, are the implementing partners of the CIF's investments.

#### 3.3.4.1 Climate Investment Funds Programmes

The CIF Programmes are summarised below.

- i. **Accelerating Coal Transition Investment Program.** This offers a comprehensive toolkit to support countries in transitioning away from coal. It builds local support to reconsider the development of new coal plants and accelerate the retirement of existing coal assets.
- ii. **Clean Technology Fund.** This fund supports fossil fuel-dependent countries with the deployment of low-carbon technologies with significant potential for reducing long-term greenhouse gas emissions. It provides concessional financing to large-scale renewable energy, energy efficiency and sustainable transport projects. South America's first geothermal power plant is one of its many projects.
- iii. **Global Energy Storage Program.** As a funding window under the Clean Technology Fund, this programme supports clean energy storage technologies to expand the integration of renewable energy into developing countries. Funding from this programme is expected to mobilise a further USD2 billion in private and public investments.
- iv. **Forest Investment Program.** This tackles deforestation and forest degradation by empowering indigenous groups and developing countries to sustainably manage their natural resources and preserve the forest as a carbon sink. In Burkina Faso, which has lost 22 per cent of its forest cover since 1990, one of the three interventions under this programme is expected to prevent 6.87 million total carbon dioxide content (tCO<sub>2</sub>) of emissions.
- v. **Industry Decarbonisation Program.** This programme supports middle-income countries, where industries constitute a growing share of their overall emissions, by aiming to decarbonise industrial practices and change behaviours in the sector.
- vi. **Nature People and Climate Program.** This aims to harness the land management experience and capacities of indigenous groups for climate action and to accelerate sustainable practices. At the same time, it seeks to work alongside key national, regional and local stakeholders to adapt to climate change across a diversity of land uses and ecosystems and mitigate its effects.
- vii. **Pilot Program for Climate Resilience.** This programme supports the world's most vulnerable countries in integrating climate resilience into strategic development planning and then implementing the plans through innovative climate solutions. For example, in Jamaica and five other Caribbean nations, this programme is enhancing their disaster risk management abilities.
- viii. **Renewable Energy Integration Program.** This programme supports fossil fuel-dependent economies by enabling them

to integrate renewable energy into their economies. The support can include funding projects, such as enhancing existing infrastructure to be renewable energy-ready, or addressing potential regulatory barriers to a smooth transition.

- **Scaling up Renewable Energy Program in Low Income Countries:** This supports the deployment of renewable energy solutions, such as solar, geothermal and wind, in order to increase energy access for the many global communities that have no access to power. The programme is one of the biggest global funders of mini-grids, with projects in 14 countries.
- ix. **Smart Cities Program:** This program will help countries undergoing challenges from rapid urbanisation to support their newly emerging cities, while they are still in development, by ensuring that their growth is managed in climate-smart, green, inclusive and sustainable ways.

#### 3.3.4.2 Climate Investment Fund project life cycle

A brief overview of the CIF project life cycle is provided below.

- i. Endorsement of investment plans by the Trust Fund Committee:
  - The CIF administrative unit and the MDB committee recommend the investment plans.
- ii. The Trust Fund Committee is mandated to approve the funding proposals as submitted by the MDBs.
- iii. Approval of projects is carried out by the Trust Fund Committee.
- iv. MDB approval of projects:
  - When a project has reached the MDB Board's approval stage, next steps are guided by that specific MDB's policies and standards.

#### 3.3.5 Other international climate finance instruments

There are several other international climate finance instruments that target specific sectors and are available to various countries around the world. We divide them into three categories according to the activities they support below: that is, readiness, investments and results-based payments. Details of the major international climate funds is provided in Chapter 6.

1. **Readiness.** Readiness activities may include policy mapping and analysis, Institutional capacity building, measurement, reporting and verification (MRV), baseline setting, methodological framework and other enabling-environment activities related to climate change. The following funds support such activities.
  - i. Partnership for Market Readiness (PMR)
  - ii. CPF Readiness Fund (CADF)
  - iii. Forest Carbon Partnership Facility (FCPF) Readiness Fund
  - iv. Carbon Initiative for Development (Ci-Dev) Readiness Fund
  - v. BioCarbon Fund Initiative for Sustainable Forest Landscapes (BioCF ISFL)
  - vi. Pilot Program for Climate Resilience (PPCR) I/II
  - vii. Global Environment Facility
  - viii. Ozone Trust Fund (OTF)
  - ix. Global Fund for Disaster Risk Reduction and Recovery (GFDRR)
  - x. Korean Green Growth Trust Fund (KGGTF)
  - xi. Climate Finance Assistance (CF-Assist)
2. **Investments.** Investments take the form of loan/credit grant guarantee equity. The following funds support such activities.
  - i. Clean Technology Fund (CTF)
  - ii. Forest Investment Programme (FIP)
  - iii. Scaling-up Renewable Energy Programme (SREP)
  - iv. Pacific Coast Community Resources International (PCCRI)

- v. Global Environment Facility (GEF)
  - vi. Adaptation Fund (AF)
  - vii. International Finance Corporation (IFC)-  
Canada Climate Change Programme
  - viii. Green Climate Fund (GCF)
3. **Result-based payments.** Carbon credits, including REDD+, carbon-linked mitigation results . The following funds support such activities
- i. CPF Carbon Fund
  - ii. FPCF Carbon Fund
  - iii. Ci-Dev Carbon Fund
  - iv. BioCF- Sustainable Forest Landscapes (ISFL)
  - v. Pilot Action Facility for Methane (PAF)
  - vi. Transformative Carbon Asset Facility (TCAF)

## 4. Climate Finance Readiness

'Readiness activities' refer to the processes that can enhance the capacity of developing countries to access, allocate and spend climate finance, and also monitor and report on the impact of such actions. Readiness activities are driven by national needs and circumstances. Some areas for which countries can get climate readiness finance are shown in Figure 4.1, while a conceptual framework for understanding climate finance readiness is shown in Figure 4.2. Countries can also obtain technical support from climate finance sources for climate readiness programmes and projects.

### 4.1 GCF Readiness Support Programme

The GCF Readiness Support Programme aims at enhancing country ownership and access during early stages by providing funds for readiness and preparatory activities. The GCF ('the Fund') empowers developing countries through a dedicated and cross-cutting programme intended to maximise the effectiveness of the Fund during the early stages of operationalisation. Activities to improve a country's involvement with the Fund through readiness and preparatory support are not one-time fixes but rather a continuous, iterative process. Nauru and other developing nations are able to get the preparatory support that is best suited to their needs and circumstances.

In order to establish and carry out a transformational long-term climate change agenda, the Readiness and Preparatory Support Programme offers GCF resources to enhance institutional capacities, planning and programming frameworks, and governance procedures.

For assistance with institutional capacity building, co-ordination, policy and planning, and investment programming, each country may receive up to USD1 million annually. NDAs/Focal Points may ask for up to USD300,000 per year in direct funding from this total in order to develop or strengthen their NDAs or Focal Points and meet the Fund's requirements. Moreover, USD3 million can be provided per nation for the development of a National Adaptation Plan (NAP) and for other adaptation processes.

As the demands for readiness change over time, several proposals may be submitted within these financial limits over several years. Additionally, GCF accredited organisations and/or delivery partners can implement numerous readiness proposals for all activities (including adaptation planning), allowing for customised support depending on their comparative advantage.

According to each country's unique requirements and circumstances, the Readiness and Preparatory Programme is intended to be a flexible instrument to provide them with support. The NDA should

**Figure 4.1. Readiness finance focus areas**

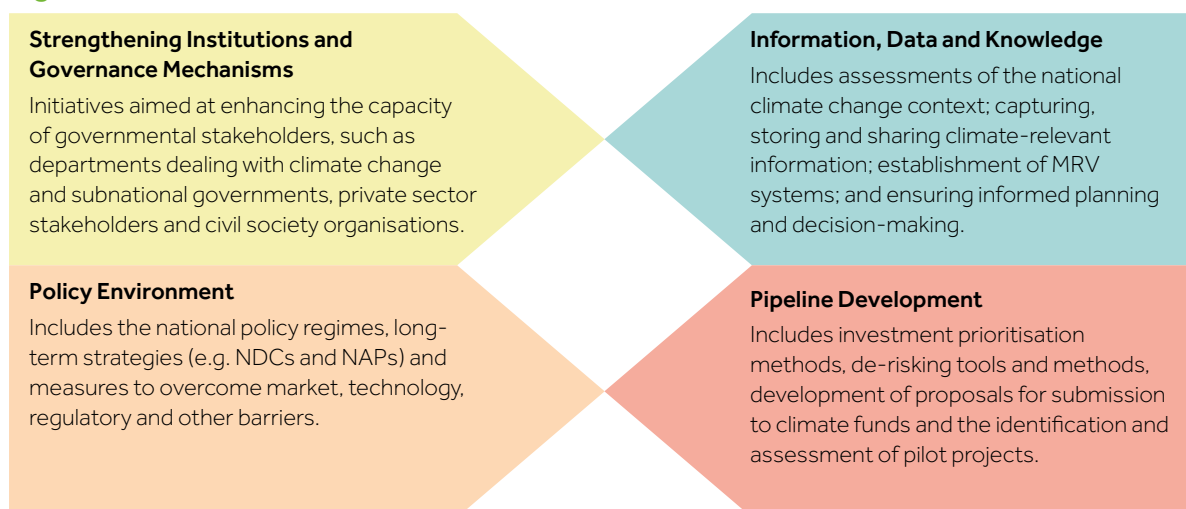
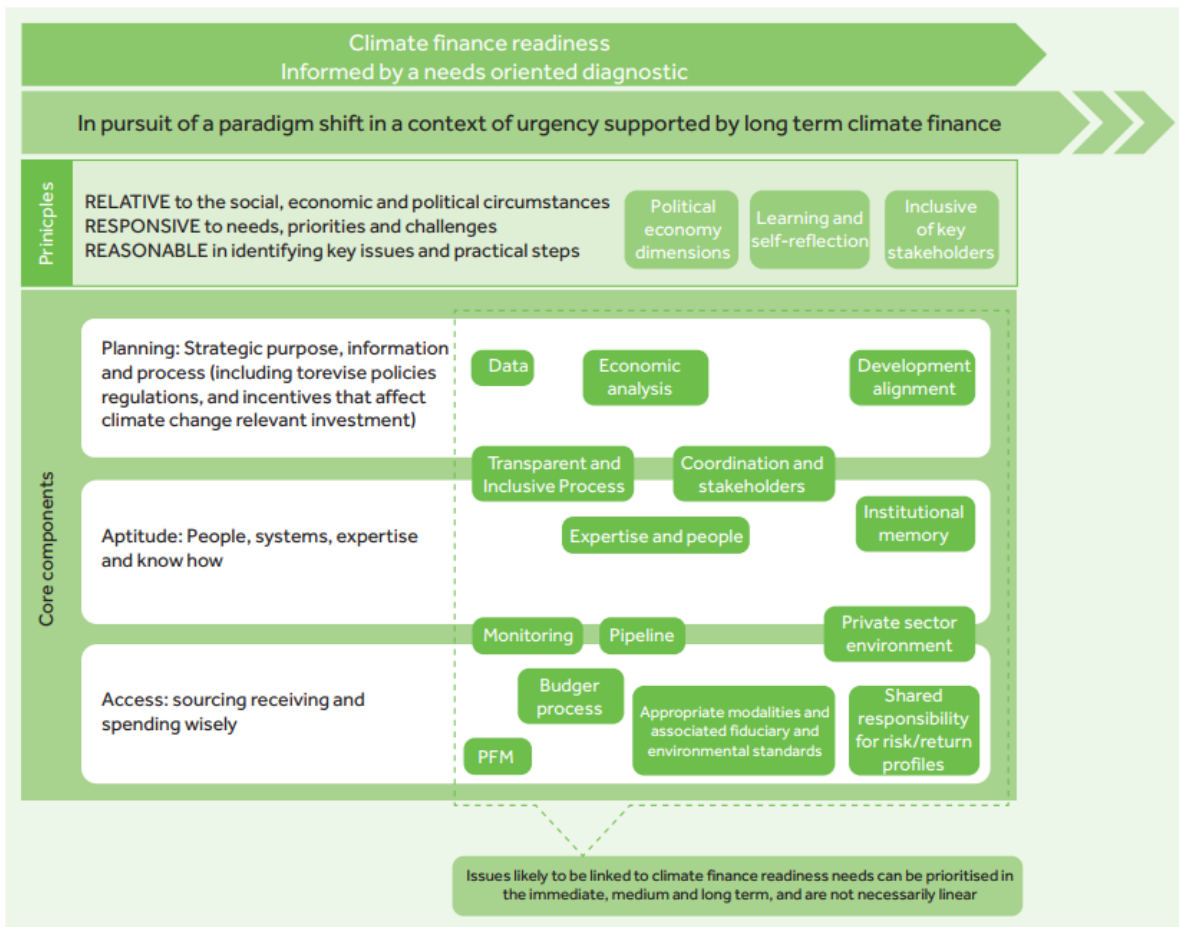


Figure 4.2. Conceptual framework for climate finance readiness



Source: Nakhooda and Calland (2012)

strategically assess the country's readiness and preparatory needs, which involves asking questions like:

- What support is required to prepare a long-term climate strategy?
- What are the existing knowledge and data gaps?
- What assistance is required to implement the priorities specified in the NDC, NAP and other national climate change strategies?
- What are the existing barriers in accessing scaled-up finance across priority sectors, including technology deployment and utilising and scaling private sector investment?
- How can institutions at the national and subnational levels be strengthened to carry out mitigation and adaptation initiatives,

including by gaining direct access to the GCF and leveraging new and innovative financial mechanisms?

- How can the country increase:
  - a. funding from multiple financial streams for climate action?
  - b. coherence of programming processes in order to achieve long-term low-emissions and climate-resilient development?

The government of a country can be provided with readiness and preparatory support through an intermediary (such as an international entity) or via a domestic government organisation (if it is a GCF-accredited entity or delivery partner). The delivery partners must comply with management capacities and requirements evaluated through a Financial Management Capacity Assessment (FMCA) carried out by the GCF.

### 4.1.1 Theory of change for a readiness proposal

A theory of change is an important theme to access any international climate finance. A project implements activities, which produce outputs, resulting in outcomes to achieve a broader climate target. For a project to receive funding, it is essential to demonstrate the impacts of climate change. The theory of change clearly presents the intended results and the changes necessary to achieve them.

A theory of change that explains how a proposed intervention will transform a development pathway toward low-emission and/or climate-resilient development is detailed in Table 4.1. As part of the

readiness proposal template, NDAs and delivery partners are asked to include a diagram and clearly explain the theory of change.

When a readiness proposal is formally submitted, the GCF Secretariat conducts an initial evaluation that is guided by the checklist of questions in Table 4.2. The checklist is not a scorecard; rather, it is a tool to guide the technical review process and identify the parts of a proposal that may need to be improved before approval. The questions provided here are simply for guiding purposes. The checklist will assist NDAs and delivery partners to draft and submit high-quality proposals, but it is not a list of all the components an approved proposal must include.

**Table 4.1. Theory of change for readiness proposal**

<b>Goal</b>	The goal is an impact-level change that the grant activities will contribute to achieving. In the context of the Readiness Programme, it is important to always consider how the goal is aligned with the five Readiness Programme objectives.
<b>Goal statement</b>	The goal statement is structured in the 'IF ... THEN ... BECAUSE...' format and explains the causal linkages between the outcomes, outputs and the goal that the grant will help achieve (for example, 'IF the [Country] builds enabling institutional, planning and programming environments for adaptation at the national and subnational level, THEN the [Country] will be able to identify, design and implement adaptation investments in line with national priorities BECAUSE knowledge on key vulnerabilities will be generated and shared, feeding into effective co-ordination mechanisms and investment plans for resilience.')
<b>Outcomes</b>	An outcome statement describes longer-term and specific changes in conditions, policies or organisational structure with these measured a year or several years after project completion.
<b>Outputs</b>	An output statement highlights what the readiness proposal intends to achieve in the short term due to activities. NDAs and partners should develop outputs that, taken together, can lead to the desired outcomes.
<b>Inputs</b>	Inputs refer to the national climate priorities (for example, NDCs, country programme), deliverables of previous grants, and other information (for example, needs assessments) that will contribute to the effective implementation of grant activities.
<b>Barriers</b>	Proposals should indicate the perceived and potential barriers that could prevent progress or advancement against the stated outcomes of the intended activities.
<b>Assumptions and risk</b>	Assumptions are the necessary conditions (for example, inter-ministerial buy-in) that need to be in place or complementary actions (for example, successful recruitment of consultants) to ensure that the proposed activities are successfully implemented to achieve the stated outcomes. Risks are the potential or perceived events that will prohibit the efficient and effective implementation of proposed activities (for example, natural disasters risk disrupting implementation).

## 4.2 GCF Project Preparation Facility (PPF)

As previously mentioned, the GCF provides a Project Preparation Facility (PPF) that helps in converting a concept note into a complete funding proposal. All accredited entities have access to the facility, although direct access entities submitting projects in the micro- to small-sized categories (up to USD 10 million) are given preference. The financing is given up to USD 1.5 million or 10 per cent of the GCF funding requested, whichever is lower.

For projects in the micro-to-small size categories, the GCF Secretariat will accept PPF requests from all accredited entities, especially those accredited as direct access entities. The accredited entity will be responsible for the preparation and submission of PPF requests, as well as for providing a no objection letter from the NDA or focal point to the Secretariat.

### 4.2.1 PPF approval process

The steps for getting PPF approval through the GCF are given below.

- i. The accredited entity will develop and submit PPF requests and no objection letters after consulting with the GCF Secretariat and NDA.
- ii. For consideration by the Executive Director, the Secretariat will evaluate the PPF request against the GCF's investment criteria, a justification of needs and compliance with relevant GCF policies.
- iii. The Executive Director or designee will approve the decision to fund a PPF request. At each GCF Board meeting, the Secretariat will provide details on PPF requests received, approved and those under implementation.

### 4.2.2 Eligible activities for financing under the PPF

The following activities can be eligible for financing under the PPF.

- Pre-feasibility studies and project design (including baseline data, technical studies and detailed designs, financial and economic analysis, etc.).

- Environmental, social and gender studies (including environmental and social impact assessments, environmental and social management plans, resettlement action plans, and gender assessment and action plans).
- Risk assessment (including technical, institutional, operational, financial, social and environmental components).
- Identification of programme- and project-level indicators aligned with the results management framework of the GCF and support for the monitoring and evaluation of impacts.
- Pre-contract services of the project tender document, selection of contractors, as well as revision of tender documents, consultancy services etc.
- Advisory services and/or other services required to financially structure the proposed activity.
- Other project preparation activities where necessary and with sufficient justification.

## 4.3 Assessing Nauru's capacity development needs

The literature reviewed in this guiding manual shows that Nauru needs to consider the following points, along with carrying out a detailed capacity needs assessment.

- i. There is an urgent need to integrate climate change into policy and planning processes and especially to integrate climate budget tagging and tracking into the country's financial processes to highlight the investments being made by Nauru on climate change adaptation and mitigation. This will help to build a strong case for getting international climate finance and create opportunities in co-financing climate change projects through international climate finance funds.
- ii. Institutions in Nauru aiming to get funds through international climate finance need to have strong fiduciary standards, environmental and social safeguards, gender policies, and their integration in project planning and implementation.

Figure 4.3. Key areas for institutional capacity assessment



- iii. Nauru needs to build the capacity of its human resources in developing project proposals that meet the standards of international climate finance funds. Capacity building should also be done for implementing the climate change projects fulfilling the international quality standards of implementation, monitoring and evaluation (M&E), keeping financial transparency as priority.

Additionally, a helpful first step is to build a knowledge base inside the National Designated Authority (NDA) on national priorities, strategies and plans for climate policies. Along with improved internal capabilities, this will enable the NDA to arrange training for other national stakeholders as and when needed.

In conducting a detailed institutional capacity assessment, the country should consider the five key areas illustrated in Figure 4.3.

## 4.4 Accreditation processes

Entities that want to be accredited must show they can manage the GCF's resources in compliance with the standards and requirements outlined in the accreditation application. These institutions must go through an 'accreditation' process in order to get funding. The process is meant to determine

whether the institutions can effectively manage their finances and safeguard funded projects and programmes.

Organisations that are recognised as having specialised skills and capacities in advancing climate action are eligible to apply for accreditation. These entities can be public, private or civil society organisations, as well as international, regional or national organisations. These entities should have climate change plans that are clear, actionable and designed to enhance both mitigation and adaptation measures. They must also meet the Fund's financial, environmental, social and gender standards. Accredited entities that develop funding proposals are often in charge of overseeing, supervising, managing and monitoring their respective approved projects and programmes.

### 4.4.1 Green Climate Fund (GCF) accreditation process

The Fund works through a wide range of entities to channel its resources to projects and programmes. Such entities may be international, regional, national or subnational; and public, private or non-governmental institutions that meet the standards of the Fund. Countries may access the Fund through multiple entities simultaneously.

Through the three-stage accreditation process and a fit-for-purpose approach, entities are accredited for certain fiduciary functions, size of project/

activity within a programme, and environmental and social risk categories. The fee for the accreditation application is paid by the entity once the application is submitted. After accreditation, an accredited entity can submit project and/or programme proposals for funding.

#### 4.4.1.1 Accreditation standards

The Green Climate Fund (GCF) accreditation process is designed to assess the ability to manage funds in compliance with GCF’s fiduciary standards, as well as to manage the environmental and social risks that may arise during the project. Entities seeking accreditation will be assessed against the Fund’s gender policy, as well as other GCF policies and standards. The list of accreditation policy and standards are as follows.

- An initial fiduciary principle and standard.
- A policy on the protection of whistleblowers and witnesses.
- A policy on prohibited practices.
- An anti-money laundering and countering the financing of terrorism policy.
- Environmental and social policies.
- An interim environmental and social safeguard.
- An information disclosure policy.
- A gender policy.

#### 4.4.1.2 Accreditation types

There are two types of GCF accredited entities, based on access modalities: direct access entities and international access entities. The access modalities are shown in Figure 4.4.

- **International access entities:** These include regional organisations, international financial institutions, multilateral development banks and UN agencies. The GCF considers that these organisations have the wide reach and knowledge necessary to address a range of climate change concerns, particularly those that cut beyond national boundaries and thematic areas. Nominations from NDAs or Focal Points are not required for international access entities.
- **Direct access entities:** These are subnational, national or regional organisations that require NDAs or Focal Points to nominate them. Nominated organisations may then be eligible for GCF readiness support. Readiness funding is designed to assist entities with accreditation, as well as help strengthen the organisational capacities of already-accredited organisations. The enhanced direct access method enables non-accredited entities to receive climate financing.

Entities in Nauru must take the following steps if they are to be accredited to GCF.

Figure 4.4. GCF access modalities

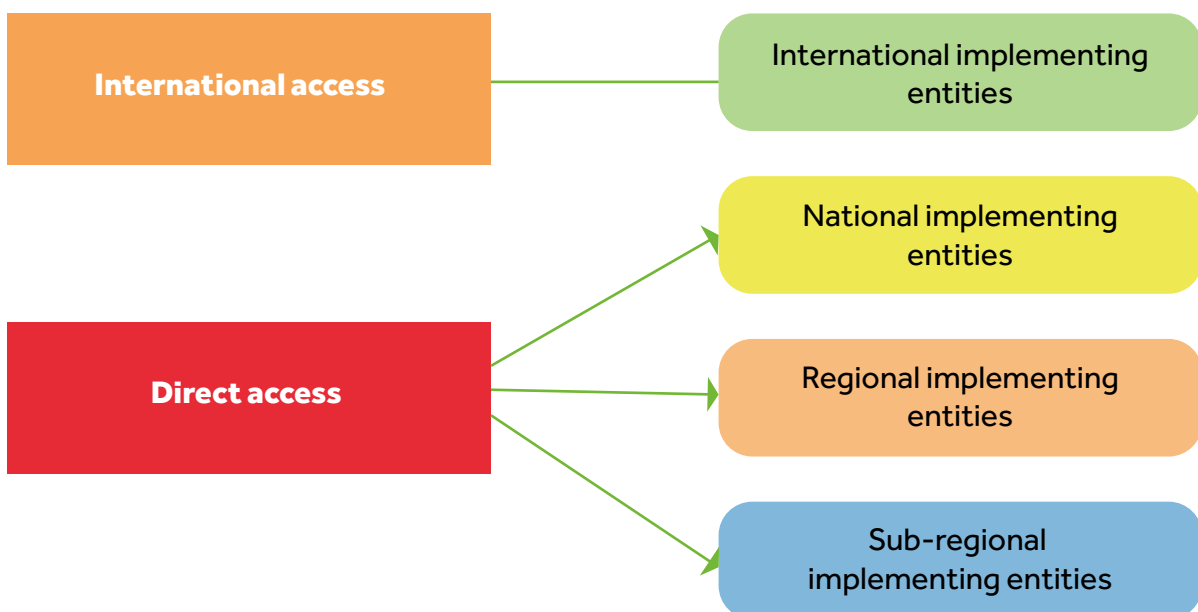
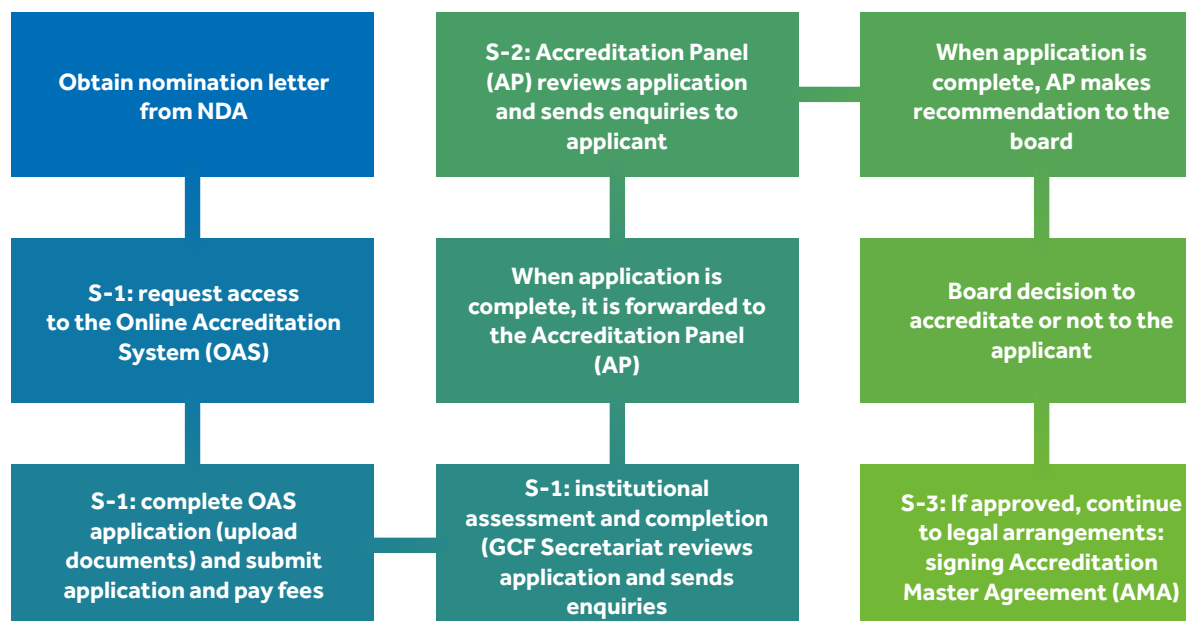


Figure 4.5. GCF application process



Source: <https://www.greenclimate.fund/accreditation/process> (2020)

- i. Submit a letter of interest to the NDA, along with a complete profile.
- ii. Receive approval from the NDA, DCCNR, Government of Nauru.
- iii. Obtain a nomination letter from NDA, DCCNR, Government of Nauru.
- iv. Submit a completed application through the GCF Online Accreditation System (OAS).

#### 4.4.1.3 GCF application process

The application process for accreditation to the Green Climate Fund is presented in Figure 4.5. It is recommended that entities use the GCF self-assessment tool<sup>8</sup> before initiating the accreditation application. The steps involved in the process are explained below.

**Stage 1 (S-1) 'Completeness check':** In order for the GCF Secretariat to review all the supporting documentation and verify that the information is accurate, the applicant requests access to the GCF Online Accreditation System (OAS), fills out the accreditation application form, uploads the necessary supporting documents and submits the application. The GCF Secretariat may request more details or explanations from the applicant on the

application form and its answers to questions via the OAS. Once the application is complete, Stage 2 can commence.

**Stage 2 (S-2) 'Review and decision':** The application and the data presented during S-1 are reviewed by the Accreditation Panel (AP). The applicant may be asked to provide clarifications or more information by the AP. The applicant should be prepared to quickly respond to these questions and provide the required additional information. The AP then submits the documents and final recommendation to the GCF Board once it is satisfied with the application. The Board considers the AP's recommendations and decides whether to approve the application and accredit the entity.

**Stage 3 (S-3) 'Legal arrangements':** Once the application has been approved by the Board, the Accreditation Master Agreement, negotiated between the prospective accredited entity and the GCF, is signed.

#### 4.4.2 Adaptation Fund accreditation process

The Adaptation Fund (AF) certification procedure ensures that the applicant will adhere to the AF's fiduciary and safeguard standards. The applicant is assessed as part of the accreditation process to ensure that it complies with sound

8 See: <https://www.greenclimate.fund/accreditation/self-assessment-questionnaire>

**Table 4.2. Checklist for GCF readiness proposal quality assurance**

SECTION 1 – Summary		Yes/No
1	Is the objective of the proposed support clearly described?	
2	Have the gaps and challenges been identified and mitigation measures included in the proposal?	
3	Is there a clear statement defining the intended beneficiaries of the proposal?	
SECTION 2 – Situation analysis		
4	Is the institutional, policy and programming context of the project described?	
5	Does the section contain a clear definition of the problem(s) to be addressed by readiness support?	
6	Does the section include a description of how the proposed support will be delivered in complementarity with other readiness support, including support from other development partners?	
SECTION 3 – Logical framework		
7	Are the outcomes drawn directly from the Board-approved list of outcomes?	
8	Are the outputs clearly specified and linked to the relevant outcome?	
9	Are the baseline and targets set with clarity and are they measurable?	
10	Do the planned activities have a clear link to the relevant outputs?	
11	Are the activities accompanied by specific and tangible deliverables?	
SECTION 4 – Theory of change		
12	Does the proposal contain both a theory of change diagram and a narrative?	
13	Is the theory of change in an acceptable format and does it contain necessary elements, as described in the template/guiding manual?	
SECTION 5 – Budget, procurement, implementation and disbursement		
14	Is the budget prepared as per the template?	
15	Is the delivery partner fee budgeted within the approved fee cap (8.5%)?	
16	Is the project management cost budgeted within the approved cap with a detailed cost breakdown (7.5%)?	
17	Is the budget plan in sync with the implementation schedule and activities proposed?	
18	Is the procurement plan prepared as per the recommended template?	
19	Are consultant positions stated in the procurement plan accompanied by number of working days and daily rate?	
20	Has the implementation period been clearly spelled out in the proposal?	
21	Has an implementation schedule – with activities, milestones, deliverables and timelines – been provided?	
22	Is the disbursement schedule in sync with the implementation schedule?	
SECTION 6 – Implementation arrangements and other information		
6.1 – Implementation arrangements		
23	Is the implementation arrangement clearly spelled out, with clear roles and responsibilities of all stakeholders involved?	
24	Does the implementation arrangement outline the role of the NDA/Focal Point?	
25	Is there a graphic mapping the organisations involved, the flow of funds and the flow of information between the parties involved?	

*(Continued)*

6.2 – Implementation and execution roles and responsibilities	
26	Is there a clear distinction between entities/individuals involved in implementation and those involved in execution?
27	Is there an explanation of the roles and qualifications of technical staff and consultants to be procured for completion of activities, such as terms of reference?
6.3 – Risks and mitigation measures	
28	Does the proposal provide information on any prior relationship between the delivery partner and the NDA?
29	Will any existing operating manuals or similar documents of the NDA and/or delivery partner be used as part of the implementation arrangements?
6.4 – Monitoring	
30	Are the monitoring and reporting requirements and the responsible party clearly spelled out?
31	Does the proposal contain a mechanism for monitoring and evaluation?
6.5 – Other relevant information	
32	Is there a sustainability/exit plan in place to capture lessons learned and knowledge?
33	Does the proposal provide a mechanism to transfer skills and knowledge to the NDA or other relevant national stakeholders?

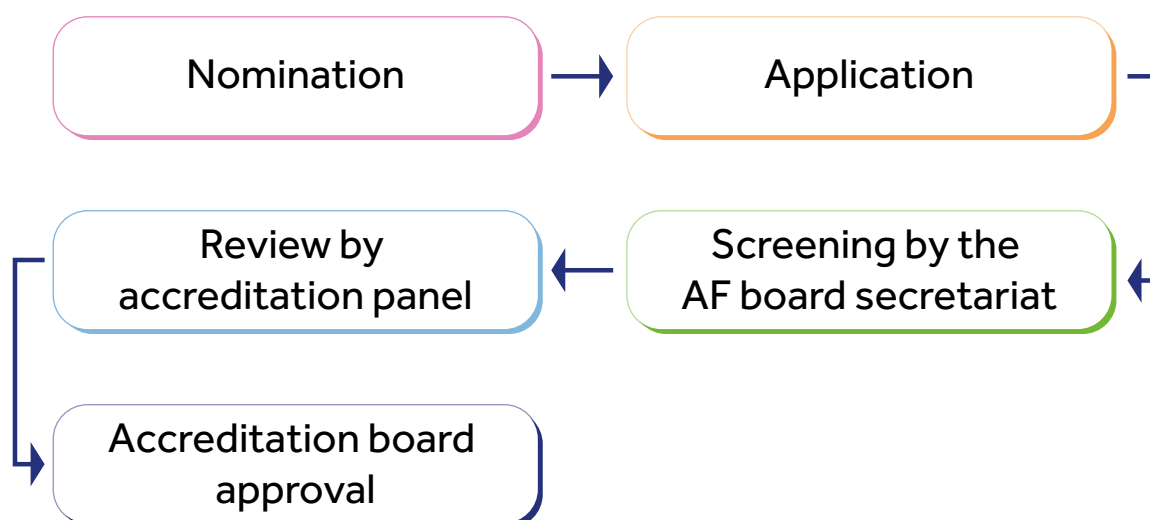
Source: GCF (2020)

accreditation requirements and that it has put in place efficient risk management, social and environmental safeguards to increase the efficacy and sustainability of results.

#### 4.4.2.1 Adaptation Fund accreditation application steps

- i. **Nomination:** A designated authority identifies and nominates an entity that meets the accreditation standards as an implementing entity. Prior to applying for accreditation, a national implementing entity must be nominated by its respective government.

Figure 4.6. Adaptation Fund accreditation process



Source: Adaptation Fund (2015)

A regional implementing entity must have a letter of support from at least two of the countries in which it operates, whereas multilateral implementing entities are invited by the AF Board to apply for accreditation and do not need an endorsement letter.

- ii. **Application:** Through the AF's online accreditation workflow system, the nominated entity submits an accreditation application and any necessary supporting documents (once a nomination letter is received, then access is granted to submit the application).
- iii. **Screening by the AF Board Secretariat:** The application is initially screened by the Board Secretariat; it requests any missing information before forwarding the application to the Accreditation Panel for review.
- iv. **Review by the Accreditation Panel:** Prior to making a final decision, the Panel contacts the applicant directly to address any concerns or potential gaps in the application. It then advises the Board whether to approve the application.
- v. **Accreditation Board approval:** Once the review has been finalised by the Accreditation Panel, the Board either approves the accreditation request or stipulates that it requires further information before making its decision. Ultimately, the Board decides whether to accredit or not based on the Panel's assessment and recommendation.

#### 4.4.2.2 Re-accreditation process

The Adaptation Fund's accreditation is valid for five years. A re-accreditation application must be submitted electronically through the accreditation workflow system at least nine months before the current accreditation expires. An implementing entity is not permitted to submit new project proposals after its accreditation has expired unless it has been re-accredited. The re-accreditation depends on whether the entity is continuously complying with the AF's fiduciary standards, as well as its environmental, social and gender policies. The entity's performance during project implementation and its success in achieving desired results is also assessed during re-accreditation.

# 5. Good Practices to Strengthen Climate Finance

It is important to map the good practices which could help in accessing and strengthening climate finance in Nauru and other developing countries. These good practices (Nair and Jevanic 2022) are categorised and explained below for organisations, so they can better utilise their time in accessing international climate finance.

## 5.1 Country ownership

Country ownership is one of the most important aspects when approaching international climate finance funds, as they usually require endorsement and/or a 'no objection' letter from the respective designated agency to make sure the proposal/ programme is aligned with country objectives. Best practices to ensure country ownership include:

- providing details on how the assistance will address and advance NDCs, NAPs and national development plans;
- articulating the focus of the proposal based on specified gaps in information and planning, including based on stocktaking and situational analysis, where relevant;
- developing more detailed sectoral, geographic or impact-specific planning (including sectoral and local-level planning) within the framework of a larger national vision, to provide planning that is precise and ready for implementation; and
- building on and strengthening the institutional and policy frameworks that are currently in place to improve the implementation of projects and programmes.

## 5.2 Theory of change

Developing a strong theory of change is essential if a proposal is to get any type of funding, let alone climate finance funds. The theory of change demonstrates what the project aims to achieve, along with the situation that exists prior to the project. Best practices that ensure a sound theory of change for climate finance proposals include:

- providing a strong logical framework with a clear causal link between outcomes, outputs and activities;
- illustrating how each outcome and its outputs and activities will achieve the stated objectives, ideally using a simple graphic;
- articulating how the proposed activities will address priorities identified in the NDCs, NAP and national and sectoral plans and strategies; and
- defining how the support requested will contribute to strengthening durable institutional capacities to implement programmes and projects.

## 5.3 Avoidance of duplication of effort

Currently, a great deal of work is going on in the climate change sector. It is important to ensure that a project does value addition and, instead of reinventing the wheel, builds on already-available knowledge and fills the knowledge gaps. Best practices in this respect include:

- starting where other readiness, NAP and/or other adaptation planning processes have left off, clarifying how the proposal adds to these in addition to the approved grants to the country;
- focusing any new assessments and methodologies on critical information gaps and institutionalising these approaches;
- prioritising the use of existing information to communicate and engage with private and public decision-makers at different levels;
- articulating how new proposals for readiness support will build on and link with previous, existing national and subnational planning processes;

- articulating how readiness activities will build on and further catalyse ongoing awareness-building activities for mitigation and adaptation investment; and
- describing whether the country has already assessed capacity and information needs at the national and subnational levels.

## 5.4 Gender equality and social inclusion (GESI) considerations

The Commonwealth Climate Finance Access Hub (CCFAH) supported the government of Nauru to create an enabling environment favourable for accessing available climate funds, both locally and internationally, and to effectively utilise those funds to support sustainable development efforts and create awareness raising, capacity building and share best climate action practices across the world, as well as to develop knowledge management papers/reports customised for the host government. In the absence of strong policy responses, climate change will have critical impacts on vulnerable people and communities, gender equality and human rights. The integration of gender equality and social inclusion (GESI) is a priority for climate change projects and a precondition for accessing finance for many climate funds. Climate finance proposals should clearly demonstrate how they are going to integrate GESI outcomes. There are several toolkits that can support proponents to integrate gender into programmes and projects, such as:

- Secretariat for the Pacific Community et al.: *The Pacific Gender and Climate Change Toolkit: Tools for Practitioners*<sup>9</sup>
- GCF: *Mainstreaming Gender in Green Climate Fund Projects*<sup>10</sup>

9 Secretariat for the Pacific Community et al. (2015) *Pacific Gender and Climate Change Toolkit: Tools for Practitioners*. <https://www.unwomen.org/en/digital-library/publications/2015/9/pacific-gender-and-climate-change-toolkit>

10 Green Climate Fund (GCF) and United Nations Entity for Gender Equality and Women's Empowerment (UN Women) (2017) *Mainstreaming Gender in Green Climate Fund Projects*. Incheon, Republic of Korea: GCF. [https://www.greenclimate.fund/sites/default/files/document/guidelines-gcf-toolkit-mainstreaming-gender\\_0.pdf](https://www.greenclimate.fund/sites/default/files/document/guidelines-gcf-toolkit-mainstreaming-gender_0.pdf)

- FAO: *How to Integrate Gender Issues in Climate-Smart Agriculture Projects 2017*<sup>11</sup>

Mainstreaming GESI aims to systematically integrate gender into every step of project design and implementation. Key methods for achieving strong GESI outcomes may include:<sup>12</sup>

- Defining the GESI context and challenges and identifying potential solutions in project design
- Prioritizing GESI in the design of stakeholder engagement and analysis, including the choice of partners
- Raising awareness of GESI solutions and building the capacity of stakeholders
- Integrating GESI in the methodology and approach to implementing the project, including reflecting GESI considerations in the results framework and budget
- Ensuring there is an equal representation of women in the project design, implementation and management teams
- Undertaking monitoring and evaluation of GESI relevant outcomes.

## 5.5 Private sector investment strategy

Finances from the private sector have shaped the international climate finance landscape to achieve ambitious climate targets. To attract the private sector into investments in climate finance, sound market driven strategies have to be developed for which following key points could be considered.

- Producing the evidence base that supports the business case for private investment in low-emission and climate-resilient development.
- Defining a sustainable finance sector investment strategy.
- Communicating tailored climate information to attract private sector investment for adaptation and raise awareness on resilience building.

11 The Food and Agriculture Organization of the United Nations (FAO) and The World Bank (2017) *How to Integrate Gender Issues in Climate-Smart Agriculture Projects*. Rome: FAO and World Bank. <http://www.fao.org/3/a-i6097e.pdf>

12 Secretariat for the Pacific Community et al. 2015, op. cit

- Engaging with the finance sector to develop new financial products, blended finance approaches and/or service markets that accelerate uptake of climate technologies.
- Catalysing private-public partnerships for adaptation action.

## 5.6 Monitoring and evaluation

To build the confidence of the donor, strong monitoring and evaluations mechanisms have to be in place to ensure that project is going in the right direction. The following points could be used as a checklist to have a sound monitoring and evaluation system for projects funded through climate finance.

- Designing a results-based framework supported by quantitative indicators to track and monitor progress and evaluate performance against specified targets over time, across sectors and scales;
- Developing capacity to access and utilise data to conduct monitoring and evaluation;
- Establishing a mechanism for operationalising impact measures and evaluation across different sectors, agencies and levels of government;
- Integrating planning measures and evaluation within existing mechanisms;
- Defining a contingency plan for monitoring risks that could affect implementation of mitigation and adaptation efforts; and
- Strengthening approaches to learning and iterative management-based adaptation measures and evaluation.

## 5.7 Complementarity and coherence between funds

Funding agencies are always looking for opportunities where their investments will be more beneficial and create more opportunities in conjunction with other investments and funds. The assurance of multiple agencies gives them confidence to invest in a particular project. Best practices in this area could include:

- indicating the financial support that has already been received or is foreseen for readiness-type activities, including the development of a NAP or other national adaptation planning processes;
- identifying how climate finance is complementing other sources of funding;
- enhancing channels for communication between different Focal Points for different climate funds; and
- developing investment plans, such as the GCF Country Programme, to utilise opportunities across the climate finance landscape.

## 5.8 Stakeholder engagement

The full potential of a project can only be achieved with active stakeholder engagement. Stakeholders should be involved at every stage, from concept to operationalisation and through project maintenance to continue achieving the objectives. This not only results in meeting the needs of the people involved, but also builds project ownership among them. Best practices for efficient stakeholder engagement and liaison include:

- clearly defining the beneficiaries of the proposed intervention;
- defining a clear mechanism for stakeholder engagement and co-ordination, including in the iterative adaptation planning process, and with a focus on the private sector, subnational governments and civil society organisations;
- communicating climate mitigation potential, climate impacts, risks and vulnerability information to key stakeholders, including the private sector, in compelling and easy-to-use formats;
- establishing and/or strengthening existing institutional arrangements to increase the effectiveness of mitigation and adaptation implementation, including at the local level, and to reduce transaction costs and barriers for private sector investment;
- integrating stakeholder engagement processes within existing broader development planning and co-ordination mechanisms;

- integrating stakeholders through a new or existing broader structured communication strategy, showcasing resilience-building actions; and
- ensuring that engagement of stakeholders is sensitive to gender issues and representation and social inclusiveness, and considers vulnerable groups and/or communities.

## 5.9 Plan to address specific vulnerabilities and climate impact

The climate action needs to be indigenous and specific to that location, as imported solutions don't work until they are fully integrated into the local system. Proper consideration should be given to designing specific activities to reduce the vulnerabilities and climate impacts in that region and/or community. Best practices here include:

- designing activities to address specific climate impacts and vulnerabilities, based on localised climate-risk mapping and assessment;
- conducting localised analysis of climate impacts, as well as the vulnerability of specific economic activities, barriers to addressing identified vulnerabilities and specific actions to overcome them;
- prioritising adaptation actions, as well as explicit programmes and project ideas, to address specified impacts and vulnerabilities, including consideration of the financial costs and climate impacts of different options; and
- engaging private sector and public decision-makers, including at the local level, in planning, based on accessible climate impact and vulnerability information.

## 5.10 Adaptation financing strategy

As adaptation projects do not appear lucrative for investors in climate finance, losses avoided and ecosystem benefits produced by a particular project should be accurately costed in dollar terms – so it can be recognised as an investment opportunity. Best practices to build a comprehensive adaptation financing strategy include:

- developing a strategy that defines high potential funding sources for specified areas of adaptation action, including private and public, domestic and international sources;
- developing a prioritised pipeline of adaptation programmes and project ideas, as well as concept notes for submission to climate finance providers, using relevant prioritisation criteria as needed from existing methodologies;
- prioritising projects through a broad consultation process with relevant stakeholders, under the leadership of the relevant government stakeholders and climate change department;
- considering a combination of funding options from taxes (public resources), tariffs (private payments) and transfers (international co-operation), as well as financing of up-front capital to be repaid over a period of time;
- making use of financial instruments such as loans, bonds, equity etc.;
- exploring blended finance options to use development finance or philanthropy to mobilise private financing for adaptation; and
- defining an adaptation planning sustainability strategy for how relevant adaptation planning activities will be sustained after climate funds are spent, including the updating of datasets, retention of knowledge, complementarity with existing web-based platforms, and ensuring people involved are trained through the process.

## 5.11 Budget and procurement

Budget and procurement guidelines are an essential part of every project proposal. They help to ensure the transparency in the project. While developing a project proposal, the following best practices could be considered during preparation of the budget and procurement strategy:

- ensuring the most efficient use of resources that will deliver the outcomes with the highest value for money, including by building on existing initiatives and partnering with complementary projects and programmes;

- benchmarking proposed costs for project-specific items (consultant fees, workshop costs, etc.) against relevant national costs; and
- submitting proposals with complete budget notes and procurement plans that reflect the implementation schedule of proposed activities.

## 5.12 Results-based management

Results-based management is a management approach that makes use of assessments and monitoring data to evaluate performance and help achieve climate action objectives and goals. Best practices using results-based management in climate change projects include:

- planning deliverables for each outcome that clearly evidence the achievement of proposed targets;
- incorporating measures to generate knowledge through the implementation of the activities and ensuring that knowledge is captured, shared and used to inform and improve the capacity and technical skills of stakeholders; and
- building into project activities a framework for the sustainability of support beyond the life of the proposed readiness/adaptation planning intervention.

# 6. Climate Finance Instruments and Funds

## 6.1 Overview of innovative climate finance instruments

There are many climate finance instruments, such as resilience and green bonds. These are briefly defined below.

1. **Concessional finance.** Concessional finance is below market-rate credit given to developing nations by large financial institutions like development banks and multilateral funds, to hasten their pursuit of development goals. Such finance focuses on high-impact initiatives that address globally significant development challenges, such as vaccine deployment, water and sanitation improvements, and educational initiatives, as well as climate change mitigation and resilience. Concessional finance is intended to close the funding gap for high-priority projects that have an influence on global development and climate objectives.
  - i. **Thematic bonds.** There are a variety of bonds currently being utilised to finance climate and nature-based projects. Thematic bonds are traditional fixed-income products that enable investors to finance specific investment themes, such as climate change, health, food, education and access to financial services, as well as target specific Sustainable Development Goals (SDGs). Several bonds that are popular and could be utilised by Nauru are defined below.
2. **Green bonds.** Green bonds were developed to provide funding for initiatives that benefit the environment or lessen the effects of climate change. Most are asset-linked or 'use-of-proceeds' green bonds. These bonds are backed by the issuer's entire balance sheet and the proceeds will only be used for green projects. Green bonds adhere to the International Capital Market Association's (ICMA's) Green Bond Principles.
  - ii. **Social bonds.** Social bonds are 'use-of-proceeds' bonds that raise funds for new and current projects that have a beneficial social impact. Affordable basic infrastructure, access to critical services, affordable housing, job creation, food security and socio-economic growth are all examples of social project categories. The 'use-of-proceeds' is restricted to specific objectives, which assures investors that the bond's proceeds are allocated toward initiatives that meet social bond frameworks.
  - iii. **Sustainability bonds.** Sustainability bonds are a financing instrument, the proceeds of which will be used solely to finance or refinance a mix of green and social projects. Sustainability bonds often adhere to the ICMA's Sustainable Bond Guidelines or Sustainability Bond Principles. The 'use-of-proceeds' is restricted to specific objectives, which assures investors that the bond's proceeds are allocated toward initiatives that meet social bond frameworks.
  - iv. **Sustainability-linked bonds.** These are a type of sustainability bond in which the financing or structuring of the bond's coupon rate is linked to the entity's achievement of a set of key performance indicators and environmental and/or ESG objectives, with the desired debt relief being eliminated as a penalty if the key performance indicators and environmental and/or ESG objectives are not met. These bonds adhere to the ideals of the ICMA's Sustainability Bond. Because this is a 'general purpose' loan instrument, the monies are paid into the debtor government's budget and can be used for other funding needs to free up budgetary space; meanwhile, only a fraction of the total debt financing is devoted to climate and environmental activities.

- v. **Resilience bonds.** A kind of green bonds, resilience bonds seek to mobilise finance exclusively for climate-resilient projects. These investments improve assets' and systems' ability to persist, adapt and/or change in a timely, efficient and equitable manner, reducing climate risk, avoiding maladaptation and unlocking broader development benefits. Resilience bonds can finance nature-based infrastructure (NBI) that reduce climate risks for infrastructure, based on the experience that risk mitigation is more cost effective than post-disaster reconstruction.
  - vi. **Environmental impact bonds (EIBs).** An environmental impact bond (EIB) is a municipal bond label that informs investors that the issuer's bond has market-leading ESG transparency and accountability. EIB can finance NBI that provide measurable environmental benefits and/or performance improvements.
3. **Tax increment financing (TIF).** TIF allows local governments to make upfront investments in public infrastructure and other projects. Local governments can then pay for those investments afterwards. They can do so by collecting the projected increase in tax revenues generated by the project in the future. TIF can also be used to finance NBI projects and other redevelopment projects, based on anticipated future tax revenue resulting from the new development.
  4. **Insurance-based solutions.** Insurance is an efficient financial instrument and risk management tool that can enhance resilience and improve sustainable management of ecosystems and the economies and communities that depend on them. Parametric, sometimes called index-based, insurance solutions are a type of insurance that covers the probability of a predefined event happening instead of paying for an actual loss that occurred.
  5. **Parametric risk insurance.** The term 'parametric insurance' describes a type of insurance contract that insures a policyholder against the occurrence of a specific event, by paying a set amount based on the magnitude of the event as opposed to the magnitude of the losses in a traditional indemnity policy. It uses environmental measurements, such as wind speed or the amount of rainfall, to trigger an immediate payout, thereby reducing the risks of climate change.
  6. **Debt-for-climate swaps.** These provide predictable and supplementary funding for environmental projects, especially programmes that reduce greenhouse gas emissions in nations that are heavily in debt. Traditionally, these instruments often indicate an exchange of the old debt contract for a new one, with the old contract being depreciated. The funds from the debt cancellation or discount are then used in a mutually agreed-upon manner to fund projects to combat climate change.
  7. **Debt-for-nature swaps.** A debt-for-nature swap entails buying foreign debt, converting it to local currency, and utilising the revenues to finance conservation efforts. The willingness of commercial banks (or governments) to sell debt for less than the full value of the original loan is critical to the transaction. In this, a creditor government or business might swap repayment against the debtor's commitment to fund local conservation projects.
  8. **Carbon markets.** Carbon offsets will be crucial in helping businesses reach their carbon neutrality goals and can therefore be a key source of funding for conservation initiatives. One tradable carbon credit equals one ton of carbon dioxide, or the equivalent amount of a different greenhouse gas reduced, sequestered or avoided. There are broadly two types of carbon markets: compliance and voluntary.
    - i. **Compliance markets.** These markets are the outcome of any policy or regulatory obligation that is established at the national, regional or international level.
    - ii. **Voluntary carbon markets.** These involve the issuance, buying and selling of carbon credits, on a voluntary basis, at the national or international level.

## 6.2 Introduction to various climate finance funds

There are various climate finance instruments available in the market for financing climate change projects. These instruments include multilateral

climate funds like GCF, AF and GEF and multilateral development banks like the Asian Development Bank (ADB) and the World Bank, along with bilateral funds. Below we provide a brief introduction to the major funds.

### i. Adaptation for Smallholder Agriculture Programme (ASAP)

Adaptation for Smallholder Agriculture Programme (ASAP)	Summary	The International Fund for Agricultural Development (IFAD) uses this initiative as its principal means of providing smallholder farmers with access to information, tools and technology to help build resilience to climate change.
	Focus	Mitigation, adaptation and cross-cutting activities
	Financing instruments	ASAP provides grant financing only of two types: <ul style="list-style-type: none"> <li>• global and regional grants driven by thematic and regional corporate-level strategic priorities; and</li> <li>• grants for activities implemented in specific countries (with the focus on strengthening institutional, implementation and policy capacities to innovate in thematic areas).</li> </ul>
	Accessing the fund	Grants from ASAP are combined with baseline investments from IFAD, which are carried out by governmental agencies. The programming for ASAP funds strictly adheres to conventional IFAD procedures and safeguards and follows the IFAD project design cycle.  Therefore, ASAP does not employ specific application procedures such as issuing calls for proposals. There is no formal accreditation process for ASAP implementing partners.
	Website	<a href="https://www.ifad.org/en/asap-enhanced">https://www.ifad.org/en/asap-enhanced</a>

## ii. Global Climate Change Alliance (GCCA)

Global Climate Change Alliance	Summary	The Global Climate Change Alliance was established by the European Union. Its primary purpose is to form a new climate change coalition comprising the European Union and developing countries that are most affected and least prepared to deal with climate change. The GCCA functions through the European Commission's established national and international channels for political co-operation and communication. The GCCA entered a new phase in 2015, with the launch of the flagship initiative Global Climate Change Alliance Plus (GCCA+). This new phase is distinguished by new aspects and a strategic emphasis on assisting the 2015 Paris Climate Agreement and the 2030 Agenda for Sustainable Development and its Sustainable Development Goals.
	Focus	Mitigation, adaptation and cross-cutting activities
	Activities supported	Now operating as GCCA+, its main activities are: <ul style="list-style-type: none"> <li>• supporting the development and implementation of climate change policies, such as the NDCs;</li> <li>• providing support for climate change mainstreaming of legislation;</li> <li>• disaster risk reduction through protective infrastructure, restoration of protective forests (mangroves, riverine and mountain forests), development of social protection systems, and early warning systems (for flooding, cyclones, storm surges);</li> <li>• promoting renewable energy, clean cooking and energy efficiency;</li> <li>• capacity building and institutional strengthening of central government agencies and training activities;</li> <li>• knowledge building and awareness;</li> <li>• creation of carbon sinks through reforestation, afforestation and rehabilitation of vegetation;</li> <li>• setting up monitoring and evaluation and MRV systems for mitigation action and inventories of greenhouse gases (GHGs).</li> </ul>
	Financing instruments	The GCCA/GCCA+ primarily works through financing agreements with partner countries, including via budget support and grants.
	Co-financing requirements	Many governments co-finance GCCA/GCCA+ programmes, usually in kind, and sometimes also by explicitly allocating resources from their budget.
	Accessing the fund	The delegations of the European Union to the third countries around the world act as gate keepers. Expressions of interest for GCCA+ funding must be submitted to them. The funding proposal and approval process comprises the following steps. <ul style="list-style-type: none"> <li>• Expression of interest via submission of concept notes before August every year (Year n-1).</li> <li>• A tentative list of Annual Action Programmes (AAPs are 'financing decisions adopted by the European Commission to reserve funds for regional and country based external co-operation programmes and for the implementation of thematic programmes') is compiled and scrutinised by the Sustainable Energy and Climate Change Unit.</li> <li>• By September/October (n-1), an informal consultation process is launched on the AAP.</li> <li>• After a final formal consultation and the official preparation of the AAP, selected countries are informed by November/December (n-1).</li> <li>• Screening of Action Documents takes place (January and June every year).</li> <li>• After adoption of the AAP, the necessary contracting for implementation of the projects can be carried out at the country level (n+1).</li> </ul>
	Website	<a href="http://www.gcca.eu/">http://www.gcca.eu/</a>
	Links to additional resources	<a href="https://www.gcca.eu/resources">https://www.gcca.eu/resources</a>

### iii. UN-REDD Programme

UN-REDD Programme	Summary	The UNEP, the UNDP, and the FAO have collaborated to establish the UN-REDD Programme, a multi-donor trust fund that allows donors to pool resources and provide funding in order to significantly reduce global emissions from deforestation and forest degradation in developing countries.
	Focus	Mitigation
	Activities supported	The national/country programmes have six work areas: <ol style="list-style-type: none"> <li>1. Measurement, Reporting and Verification (MRV)</li> <li>2. National REDD+ Governance;</li> <li>3. Engagement of Indigenous Peoples, Local Communities and Other Relevant Stakeholders;</li> <li>4. Ensuring Multiple Benefits of Forests and REDD+;</li> <li>5. Transparent, Equitable and Accountable Management of REDD+ Payments;</li> <li>6. REDD+ as a Catalyst for Transformation to a Green Economy.</li> </ol>
	Financing instruments	Grants
	Co-financing requirements	Not Applicable
	Accessing the fund	Programmes under the UN-REDD Programme are implemented by FAO, UNDP and/or UNEP. National governments, regional development banks and non-governmental organisations (NGOs) can receive funding through one of the participating UN organisations by acting as Executing Agencies.
	Website	<a href="http://www.un-redd.org/">http://www.un-redd.org/</a>
	Links to additional resources	<i>Resource Guide for Advanced Learning on REDD+</i> (see: <a href="https://unitar.org/sites/default/files/media/publication/doc/resource_guide_for_advanced_learning_redd.pdf">https://unitar.org/sites/default/files/media/publication/doc/resource_guide_for_advanced_learning_redd.pdf</a> )

#### iv. Canada Climate Change Program (CCCP)

Canadian Climate Change Program	Summary	The Canada Climate Change Program was established in 2011. For 2021–2026, the \$5.3 billion climate finance commitment consists of 40% grants and contributions, and 60% Unconditionally Repayable Contributions (URCs), an innovative finance instrument.
	Focus	Adaptation, mitigation and cross-cutting activities
	Activities supported	Clean energy transition and coal phase out; nature-based solutions and biodiversity; climate-smart agriculture and food systems; and, climate governance.
	Financing instruments	<ul style="list-style-type: none"> <li>• Grant 40%</li> <li>• Unconditionally Repayable Contributions (URCs) 60%</li> </ul> <p>URCs are contributions that must be repaid according to the specific repayment terms negotiated with the partner. They are used to incentivise much-needed private sector investments in low-carbon activities.</p>
	Co-financing requirements	Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) blended finance principles.
	Accessing the fund	<p>All projects that receive support from Canada's international climate finance program must demonstrate that they meet the following eligibility criteria:</p> <ol style="list-style-type: none"> <li>1. the project must demonstrate climate change (adaptation and/or mitigation) as the project's principal objective;</li> <li>2. the project must integrate gender equality considerations;</li> <li>3. the project results must align with the Climate Finance Program Results Framework; and</li> <li>4. if requesting URC funding, projects should demonstrate alignment with the OECD DAC blended finance principles.</li> </ol>
	Website	<a href="https://www.international.gc.ca/world-monde/funding-financement/climate-developing-countries-climatique-pays-developpement.aspx?lang=eng">https://www.international.gc.ca/world-monde/funding-financement/climate-developing-countries-climatique-pays-developpement.aspx?lang=eng</a>
	Links to additional resources	<i>Guidance for Concept Notes for Canada Climate Change Program</i> (see: <a href="https://www.international.gc.ca/world-monde/funding-financement/unsolicited_proposals_guidance-propositions_non_sollicitees_guide.aspx?lang=eng">https://www.international.gc.ca/world-monde/funding-financement/unsolicited_proposals_guidance-propositions_non_sollicitees_guide.aspx?lang=eng</a> )

## v. The City Climate Finance Gap Fund (CCFGF)

The City Climate Finance Gap Fund	Summary	The City Climate Finance Gap Fund ('the Gap Fund') helps cities in developing and emerging countries realise their climate ambitions, turning low-carbon, climate-resilient ideas into strategies and finance-ready projects.
	Focus	Adaptation, mitigation and cross-cutting activities
	Activities supported	<p>The main activities are:</p> <ul style="list-style-type: none"> <li>• supporting city climate strategy development;</li> <li>• providing capacity building for low-carbon and climate-resilient urban development;</li> <li>• supporting the prioritisation of investments;</li> <li>• defining project concept definitions and the components of pre-feasibility studies; and</li> <li>• matchmaking with additional support sources.</li> </ul>
	Financing instruments	The Gap Fund provides advisory and technical assistance support only. It may help identify further sources of funding for later project cycle stages, but it is not designed to finance investments directly.
	Co-financing requirements	
	Accessing the fund	Cities and local authorities can apply for Gap Fund support by submitting an expression of interest. Selected proposals will receive technical assistance from one of the implementing partners, the European Investment Bank (via GIZ) or the World Bank.
	Website	<a href="https://www.citygapfund.org/">https://www.citygapfund.org/</a>
	Links to additional resources	

## vi. Global Climate Partnership Fund (GCPF)

Global Climate Partnership Fund	Summary	The GCPF is an innovative public–private collaboration dedicated to contributing to climate change mitigation by reducing greenhouse gas emissions. It generally works with local financial institutions to finance energy efficiency and renewable energy projects for small and medium-sized enterprises (SMEs) and private households in developing countries.
	Focus	Mitigation
	Activities supported	Energy efficiency and renewable energy projects
	Financing instruments	<ul style="list-style-type: none"> <li>• <b>Dedicated funding.</b> This is in the form of senior or subordinated debt with mid- to long-term financing, usually amounting to between USD10 million and USD30 million, with flexible funding schedules.</li> <li>• <b>Direct funding.</b> This is primarily in the form of senior debt with maturities of up to 15 years, amounting to between USD5 million and USD15 million.</li> </ul> <p>A Technical Assistance Facility has been formed in parallel with the GCPF to provide technical assistance, primarily to help fund investees in their development and expansion, as well as to facilitate new – and safeguard existing – fund investments.</p>
	Co-financing requirements	When investing directly in projects, GCPF will co-invest with one or more partners.
	Accessing the fund	<p>Funds:</p> <ol style="list-style-type: none"> <li>1. GCPF funds local financial institutions that are committed to building a green lending portfolio.</li> <li>2. GCPF directly funds small-scale projects (typically up to 30 MW) that are in a late development stage or fully authorised.</li> </ol> <p>Projects/institutions is must to comply with GCPF's environmental and social management standards for accessing both these funds.</p>
	Website	<a href="https://www.gcpf.lu/">https://www.gcpf.lu/</a>
	Links to additional resources	

## vii. Nordic Climate Facility (NCF)

Nordic Climate Facility	Summary	The Nordic Climate Facility was established in 2009 as a challenge fund to finance early-stage climate change projects in developing countries. NCF's goal is to create a portfolio of innovative business concepts that have been tested, proven viable, and are ready to be scaled up and replicated.
	Focus	Adaptation, mitigation and cross-cutting activities
	Activities supported	The main activities are: <ul style="list-style-type: none"> <li>• projects that tackle climate change and promote sustainable development;</li> <li>• testing of the viability of business concepts (financial, technical, social and environmental); and</li> <li>• partnerships between public and private organisations; at least one should be Nordic.</li> </ul>
	Financing instruments	Grants: <ul style="list-style-type: none"> <li>• risk-sharing to test innovative climate solutions in a developing country; and</li> <li>• Project co-financing through grants between EUR250,000 and EUR500,000.</li> </ul>
	Co-financing requirements	NDF is a co-financing institution.
	Accessing the fund	Proposals with a streamlined, two-phased application process that comply with GCPF's environmental and social management standards.
	Website	<a href="https://www.nordicclimatefacility.com/#">https://www.nordicclimatefacility.com/#</a>
	Links to additional resources	'Concept Note guideline' (see: <a href="https://www.nordicclimatefacility.com/documents/NCF-9-Concept-Note-Application-Guidelines.pdf">https://www.nordicclimatefacility.com/documents/NCF-9-Concept-Note-Application-Guidelines.pdf</a> )  'Full Proposal guideline' (see: <a href="https://www.nordicclimatefacility.com/documents/NCF-9-Full-Proposal-Application-Guidelines.pdf">https://www.nordicclimatefacility.com/documents/NCF-9-Full-Proposal-Application-Guidelines.pdf</a> )

## viii. InsuResilience Investment Fund (IIF)

InsuResilience Investment Fund	Summary	The IIF's specific goal is to lessen the vulnerability of low-income households and micro, small, and medium-sized enterprises (MSMEs) to extreme weather occurrences. The IIF also provides technical assistance – for example, for product design and development and subsidies to reduce the premium payments for the end-clients.
	Focus	Adaptation
	Activities supported	The main activities are: <ul style="list-style-type: none"> <li>• <b>Debt Sub-Fund:</b> lends to financial institutions and aggregators in return for participation in the development and distribution of climate insurance.</li> <li>• <b>Equity Sub-Fund:</b> invests in insurers and brokers actively building the market for climate insurance.</li> <li>• The InsuResilience Investment Fund insurers Private Equity II has a strong focus on technology to drive affordability of and accessibility to climate insurance.</li> </ul>
	Financing instruments	Equity, insurance
	Co-financing requirements	Not applicable
	Accessing the fund	Apply online by submitting proposals.
	Website	<a href="https://www.insuresilienceinvestment.fund/">https://www.insuresilienceinvestment.fund/</a>
	Links to additional resources	Application guideline and documents (see: <a href="https://www.insuresilience-solutions-fund.org/downloads">https://www.insuresilience-solutions-fund.org/downloads</a> )

## ix. Climate change funds administered by the Asian Development Bank

Name	Focus	Activities supported	Financing instruments	Website
<b>Asia-Pacific Climate Finance Fund</b>	Adaptation and mitigation	This fund supports the development and implementation of financial risk management products that can help unlock capital for climate investments and improve resilience to the impact of climate change.	Grants, concessional loans, in-kind contributions	<a href="https://www.adb.org/what-we-do/funds/asia-pacific-climate-finance-fund">https://www.adb.org/what-we-do/funds/asia-pacific-climate-finance-fund</a>

(Continued)

Name	Focus	Activities supported	Financing instruments	Website
<b>Climate Change Fund</b>	Adaptation and mitigation	<ul style="list-style-type: none"> <li>• Adaptation.</li> <li>• Clean energy, sustainable transport and low-carbon urban development.</li> <li>• Reduced emissions from deforestation and degradation and improved land use management (REDD+).</li> </ul>	Grants	<a href="https://www.adb.org/what-we-do/funds/climate-change-fund">https://www.adb.org/what-we-do/funds/climate-change-fund</a>
<b>Cities Development Initiative for Asia (CIDA)</b>	Adaptation, mitigation and cross-cutting activities	CDIA's work is mainly focused on traditional urban infrastructure sectors such as water supply, drainage, sanitation and mobility. CDIA is also open to supporting projects in the energy, education, healthcare and heritage conservation sectors.	Technical assistance	<a href="https://cdia.asia/">https://cdia.asia/</a> <a href="https://www.livablecities.info/">https://www.livablecities.info/</a>
<b>Urban Climate Change Resilience Trust Fund (UCCRTF)</b>	Adaptation and mitigation	The UCCRTF helps build resilience to the effects of climate variability and climate change within medium-sized cities in Asia, particularly aiming to reduce the vulnerability of the urban poor.	Grants	<a href="https://www.adb.org/what-we-do/funds/urban-climate-change-resilience-trust-fund">https://www.adb.org/what-we-do/funds/urban-climate-change-resilience-trust-fund</a>
<b>Urban Environmental Infrastructure Fund</b>	Adaptation, mitigation and cross-cutting activities	<p>The fund prioritises the following:</p> <ul style="list-style-type: none"> <li>• climate change mitigation and adaptation;</li> <li>• urban environmental transportation services;</li> <li>• urban environmental water and wastewater services;</li> <li>• urban environmental solid waste management services;</li> <li>• district heating and cooling services</li> <li>• urban renewal.</li> </ul>	Grants, in-kind contributions	<a href="https://www.adb.org/what-we-do/funds/urban-environmental-infrastructure-fund">https://www.adb.org/what-we-do/funds/urban-environmental-infrastructure-fund</a> <a href="https://www.livablecities.info/">https://www.livablecities.info/</a>
<b>Clean Energy Financing Partnership Facility (CEFPF)</b>	Mitigation	CEFPF resources finance policy, regulatory and institutional reforms that encourage clean energy/carbon capture and storage development.	Grants	

(Continued)

Name	Focus	Activities supported	Financing instruments	Website
<b>Community Resilience Partnership Program Facility</b>	Adaptation and cross-cutting activities	This fund focuses on scaling up adaptation investments that are locally led, yet delivered at scale, and build resilience by addressing underlying drivers of vulnerability.	Technical assistance and grants	<a href="https://www.adb.org/sites/default/files/institutional-document/794961/crptf-implementation-guidelines.pdf">https://www.adb.org/sites/default/files/institutional-document/794961/crptf-implementation-guidelines.pdf</a>

## x. Climate change funds administered by the World Bank Group

Name	Focus	Activities Supported	Financing Instruments	Website
<b>Global Facility for Disaster Reduction and Recovery (GFDRR)</b>	Disaster risk resilience (DRR)	GFDRR invests in cutting-edge research, technical assistance, analytics and capacity building for DRR.	This fund offers a unique business model for advancing disaster risk reduction based on ex-ante support to high-risk countries and ex-post assistance for accelerated recovery and risk reduction after a disaster.	<a href="https://www.gfdr.org/en">https://www.gfdr.org/en</a>
<b>Transformative Carbon Asset Facility (TCAF)</b>	Mitigation	TCAF supports countries' efforts to implement market-based carbon pricing and to create conditions for private sector investments in low-carbon technologies.	<ul style="list-style-type: none"> <li>• Investment project financing (IPF)</li> <li>• Programme for results (PfR)</li> <li>• Development policy financing (DPF)</li> </ul>	<a href="https://tcafwb.org/">https://tcafwb.org/</a>
<b>Carbon Initiative for Development (Ci-Dev)</b>	Mitigation	Ci-Dev is a World Bank trust fund that mobilises private finance for clean energy access in low-income countries.	<ul style="list-style-type: none"> <li>• The Readiness Fund finances capacity-building activities.</li> <li>• The Carbon Fund provides performance-based payments to low-carbon investments in the form of purchases.</li> </ul>	<a href="https://www.ci-dev.org/">https://www.ci-dev.org/</a>
<b>Energy Sector Management Assistance Program (ESMAP)</b>	Mitigation	This fund provides analytical and advisory services to low- and middle-income countries to increase their know-how and institutional capacity to achieve environmentally sustainable energy solutions for poverty reduction and economic growth.	Grants	<a href="https://www.esmap.org/">https://www.esmap.org/</a> <a href="https://documents1.worldbank.org/curated/en/745601468160524040/pdf/Toward-a-sustainable-energy-future-for-all-directions-for-the-World-Bank-Groups-energy-sector.pdf">https://documents1.worldbank.org/curated/en/745601468160524040/pdf/Toward-a-sustainable-energy-future-for-all-directions-for-the-World-Bank-Groups-energy-sector.pdf</a>

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Name	Focus	Activities Supported	Financing Instruments	Website
<b>International Finance Corporation (IFC) - Blended Concessional Finance for Climate</b>	Adaptation, mitigation and cross-cutting activities	This fund offers four programmes that provide blended finance for climate-related activities: agriculture, disaster risk reduction, nature-based solutions and ecosystem services, energy efficiency, forestry and land-use, gender, industry and infrastructure, jobs, poverty, renewable energy, rural development, cities, waste management, and water.	concessional co-investments.	<a href="https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/BF/Focus-Areas/bf-climate/">https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/BF/Focus-Areas/bf-climate/</a>

### 6.3 Conclusion

Without additional grant-based access to climate finance to meet the cost of climate adaptation, actions in Nauru will be extremely challenging because financing to date has fallen short of the annual estimated funds necessary for climate adaptation. This guiding manual will be a useful resource for policy-makers, practitioners and other stakeholders working on climate change issues and may help the country to access additional grants to fill this annual gap. The guiding manual covers a range of topics, including an overview of different types of climate finance mechanisms, guidance on how to access and use these mechanisms, and best practices for managing and implementing climate finance projects. The guiding manual also provides guidance on engagement with the National Designated Authority and to ensure that climate finance projects are aligned with local needs and priorities for sustainable development. The government and other stakeholders in the Republic of Nauru could use the guiding manual to identify sources of climate finance, develop and implement climate finance projects, ensure transparency and accountability, and engage with stakeholders to support climate action in the country.

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# Annex 1. Climate Finance Projects in the Republic of Nauru

Name of project	Amount of funding approved (AUD millions)	Project duration	Grant/loan	Sectoral themes
<b>A. Global Environment Facility (GEF)</b>				
Transforming Nauru's Food Systems through Climate Smart Agriculture	9.01	2024–31	Grant	Climate change, biodiversity, land degradation
Eighth Operational Phase of the GEF Small Grants Programme (Part 1)	0.27	2023–27	Grant	Biodiversity, climate change, land degradation
Supporting Mainstreamed Achievement of Roadmap Targets on Energy in Nauru (SMARTEN)	5.03	2018–22	Grant	Climate change
Technology Needs Assessments – Phase III (TNA Phase III) – (23 countries including Nauru)	9.46	2017–20	Grant	Climate change
Umbrella Programme for Preparation of National Communications and Biennial Update Reports to the UNFCCC (to support eighteen (18) developing countries including Nauru)	21.24	2017–20	Grant	Climate change
Preparation of Intended Nationally Determined Contribution (INDC) to the 2015 Agreement under the United Nations Framework Convention on Climate Change (UNFCCC)	0.33	2015	Grant	Climate change
R2R: Implementing a 'Ridge to Reef' Approach to Protecting Biodiversity and Ecosystem Functions in Nauru (R2R Nauru)	2.64	2015–22	Grant	Multi-sector (biodiversity climate change international waters land degradation)
Umbrella Programme for National Communication to the UNFCCC (to support 12 Small Island Developing States and Least Developed Countries)	9.42	2013–17	Grant	Climate change

(Continued)

Name of project	Amount of funding approved (AUD millions)	Project duration	Grant/loan	Sectoral themes
GEF SGP Fifth Operational Phase – Implementing the Program Using STAR Resources I to support	1.2	2013–22	Grant	Multi-sector (biodiversity climate change international waters land degradation)
PAS: Low Carbon-Energy Islands – Accelerating the Use of Energy Efficient and Renewable Energy Technologies in Tuvalu, Niue and Nauru	1.29	2011–14	Grant	Climate change
Pacific Adaptation to Climate Change (PACC) Project	1.20	2009–14	Grant	Climate change
Pacific Islands Renewable Energy Programme (PIREP)– (to support 14 pacific countries including Nauru)	0.70	2002–10	Grant	Climate change
Expedited Financing of Climate Change Enabling Activities (Phase II) – PICCAP	1.52	2000	Grant	Climate change
Pacific Islands Climate Change Assistance Project (PICCAP) (to support 10 Pacific countries including Nauru)	3.72	1997–2006	Grant	Climate change
Climate Change Training Phase II – Training Programme to Support the Implementation of the UNFCCC	4.11	1996–2004	Grant	Climate change
<b>B. Approved GCF Full and Readiness Project in Nauru</b>				
NDA Strengthening and Country Programming support for Nauru through the Pacific Island Forum Secretariat (PIFS)	0.76	2017–18	Grant	Readiness activities (capacity building)
Republic of Nauru National Adaptation Planning – Phase One	1.97	2021–23	Grant	Readiness activities (adaptation planning)
Nauru Readiness II – Strengthening NDA capacities and DAE access	1.01	2021–23	Grant	Readiness activities (capacity building)
Sustainable and Climate Resilient Connectivity for Nauru	98.68	2017–23	Grant	Cross-cutting
Pacific Islands Renewable Energy Investment Programme (Regional Project)	44.20	2016–23	Grant	Climate change mitigation

(Continued)

Name of project	Amount of funding approved (AUD millions)	Project duration	Grant/loan	Sectoral themes
<b>C. Adaptation Fund (AF) Projects in Nauru</b>				
Resilient Coastal Fisheries and Aquaculture in Nauru	7.99	2023–29	Grant	Food security
<b>D. Asian Development Bank (ADB) Funded Projects in Nauru</b>				
Solar Power Development Project	22	2023–24	Grant	Energy/renewable energy generation – solar
Nauru: Sustainable and Climate-Resilient Connectivity Project	21.30	2015–23	Grant	Transport/water transport (non-urban)
Preparing the Nauru Sustainable Urban Development Project (Project Readiness Financing)	1.50	2022–23	Grant	Project readiness
Nauru Sustainable Urban Development Project (NSUDP)	5.00	2021–26	Grant	Water and other urban infrastructure and services
Promoting Climate-Resilient and Sustainable Blue Economies	2.68	2023–26	Grant	Transport/water transport (non-urban)
Green and Resilient Rural Recovery through Agri-Food System Transformation in the Asia and Pacific Region	2.75	2021–24	Technical assistance	Multi-sectors
Regional: Preparing Floating Solar Plus Projects under the Pacific Renewable Energy Investment Facility	3.50	2020–24	Technical assistance	Energy
Regional: Support to Climate Resilient Investment Pathways in the Pacific	4.00	2020–25	Grant	Multi-sectors
Regional: Preparing the Pacific Renewable Energy Investment Facility (Phase 2)	3.5	2019–24	Technical assistance	Energy
Regional Capacity Building and Sector Reform for Renewable Energy Investments in the Pacific	1.22	2017–24	Technical assistance	Multi-sectors
Regional: Pacific Renewable Energy Investment Facility (formerly Pacific Renewable Energy and Energy Efficiency Investment Facility)	200	2005–08	Grant loan	Energy

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Name of project	Amount of funding approved (AUD millions)	Project duration	Grant/loan	Sectoral themes
Regional Strengthening Climate and Disaster Resilience of Investments in the Pacific	3.95	2015–21	Technical assistance	Multi-sectors
Regional: Solid Waste Management in the Pacific	0.45	2011–14	Technical assistance	Water and other urban infrastructure and services/urban solid waste management
<b>E. Bilateral Donor Funded Climate Change Projects for Nauru</b>				
<b>i. European Union (EU) funded projects</b>				
EU replacement of current steels light with energy efficient units project	0.049	2012–13	Grant	Energy
11th EDF National Indicative Plan – Support in Energy Efficiency and Renewable Energy and NAO Office support	0.47	2020–21	Grant	Energy
The Global Climate Change Alliance: Pacific Small Islands States Project	0.50	2012–14	Grant	Water
Renewable Energy and Energy Efficiency Programme	3.91	2012–14	Grant	Energy
Disaster Risk Management (DRM) Program – Regional Project	0.74	2012 onward	Grant	DRM
Nauru College Photovoltaic Project	0.37	2007–09	Grant	Energy
Nauru Energy Efficiency Action Plan	0.18	2007–10	Grant	Energy
Energy Efficiency Project	1.42	2007–10	Grant	Energy
University of South Pacific–EU Global Climate Alliance Project	9.98	2010–14	Grant	Multi-sector
The Global Climate Change Alliance Plus – Scaling up Pacific Adaptation (GCCA+ SUPA)	0.30	2019–23	Grant	Water sector
<b>ii. Government of Italy</b>				
Household Water Tanks	0.0057	2020–21	Grant	Water
<b>iii. USA Government</b>				
US Atmospheric Radiation Measurement Programme	0.22	2012–13	Grant	Multi-sector

(Continued)

Name of project	Amount of funding approved (AUD millions)	Project duration	Grant/loan	Sectoral themes
<b>iv. Government of Germany</b>				
SPC/GIZ–Coping with Climate Change in the Pacific Island Region	0.312	2012–15	Grant	Multi-sector
National Climate Change Policy JNAP & Nauru Energy Roadmap	0.060	2012	Grant	Multi-sector
<b>v. Government of Japan</b>				
Grant Assistance for Grassroots Human Security Project (GGP) – Phase-I	0.192	2010–11	Grant	Water
Grant Assistance for Grassroots Human Security Project (GGP) – Phase-II	0.28	2011–12	Grant	Water
Pacific Environment Community Fund Project for Nauru	3.85	2012	Grant	Energy, water
Grant Assistance for Grassroots Human Security Project (GGP)	0.096	2013–14	Grant	Water
<b>vi. Government of Australia</b>				
Sustainable and Climate Resilient Connectivity Project	14.70	2020–21	Grant	Climate change
AusAID supported Project for Household Water Tank	1.20	2012	Grant	Water
Climate Change Financing National Case Study	0.15	2012–13	Grant	Multi-sector
Environment Resource Adviser for Nauru Department of Commerce, Industry and Environment (DCIE)	0.30	2012–14	Grant	Multi-sector
Nauru Coastal Protection Immediate Response Project	0.50	2012	Grant	Coastal protection
International Climate Change Adaptation Initiative Phase II	0.35	2011–13	Grant	Agriculture and food security
Pacific–Australian Climate Change Science and Adaptation Planning Project	32.00	2012–13	Grant	Multi-sector
Pacific Climate Change Science Programme	20	2009–12	Grant	Multi-sector
Climate and Oceans Support Program in the Pacific	32	2012–16	Grant	Multi-sector
Pacific Adaptation Strategy Assistance Program	12	2009–12	Grant	Multi-sector

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Name of project	Amount of funding approved (AUD millions)	Project duration	Grant/loan	Sectoral themes
Pacific Islands Renewable Energy Project	0.70	2003–07	Grant	Multi-sector
South Pacific Sea Level and Climate Monitoring Project Phase IV	16	2005–16	Grant	Multi-sector
<b>vii. Government of New Zealand</b>				
Nauru Energy Efficiency	0.61	2023–24	Grant	Energy
Nauru Renewable Energy Initiative	3.79	2020–23	Grant	Energy
GEF/NZAID Small Grants Programme	1.88	2007–11	Grant	Water, energy
<b>viii. Taiwan</b>				
Climate Change Fund	1.49	2023–24	Grant	Climate change
Solar Power Panels	2.63	2020–24	Grants	Renewable energy and climate change
Taiwan supported additional 15.84 kW of solar photovoltaic	0.96	2012	Grant	Energy
Nauru Energy Project	0.60	2012	Grant	Energy
<b>ix. Canada</b>				
Solar Distillation	0.054	2021–22	Grant	Renewable energy
<b>x. Government of Denmark</b>				
Pacific Islands Energy Policy and Strategic Action Planning	2.00	2004–08	Grant	Multi-sector
<b>xi. United Nations (UN)</b>				
ITU – Enhanced capacity on ICT and Climate Change and E-WASTE management	0.022	2023–24	Grant	Multi-sector
UNESCO – Strengthened NTWC and NDMO capacity to effectively warn people and 100% tsunami at-risk communities to be officially recognised tsunami ready by 2030	0.044	2023–24	Grant	DRR
WFP – Strengthened national capacities to prepare and respond to climate change and other shocks that affect food security and nutrition through better data collection and analysis to conduct vulnerability and post-disaster assessments (including using GIS mapping)	0.17	2023–24	Grant	Multi-sector

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Name of project	Amount of funding approved (AUD millions)	Project duration	Grant/loan	Sectoral themes
UNEP Ozone Depleting Substances	0.063	2012–13	Grant	Multi-sector
UNEP – Ecosystem Restoration and Sustainable Land Management and Preparation and implementation of HCFC phase-out management	0.636	2022–23	Grant	Multi-sector
Nauru Integrated Water Resource Management	1.20	2009–13	Grant	Water
UNDP – Supporting Mainstreamed Achievement of Roadmap Targets on Energy in Nauru (SMARTEN)	5.32	2020–24	Grant	Energy and climate change
Ridge to Reef Program	0.774	2015–22	Grant	Biodiversity and ecosystem protection
<b>xii. International Union for Conservation of Nature (IUCN)</b>				
PAS: Low Carbon-Energy Islands – Accelerating the Use of Energy Efficient and Renewable Energy Technologies in Tuvalu, Niue and Nauru	1.29	2013–21	Grant	Climate change mitigation
<b>xiii. Secretariat for the Pacific Community (SPC)</b>				
Integrated Water Management GCCA + SUPA	0.998	2019–23	Grant	Climate change adaptation
IUCN GEFPAS Low Carbon Islands Project	0.080	2015	Grant	Climate change
<b>xiv. Food and Agriculture Organization of the United Nations (FAO)</b>				
FAO Food Security Program	0.034	2012–13	Grant	Food security





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