



Environmental Fiscal Reform

**A Practice-Orientated Training for Policy Makers,
Administration Officials, Consultants and NGO
Representatives**



GCF accreditation, Green Funds and EFR in Africa

Case studies from Ghana, Namibia and Zambia



Part 1

Green Climate Fund context



Green Climate Fund context

- The Green Climate Fund (GCF) was formally established during the UNFCCC COP 16 in Cancun in 2010 and launched in Dec. 2013.
- A significant part of financial resources to combat negative consequences of climate change are expected to be entrusted to the GCF.
- The GCF business model is currently being developed by the GCF Secretariat and GCF Board, i.e. the detailed rules and mechanisms according to which funds will be made available to countries. This process is expected to be finalized in mid-2014.
- Country ownership will be a core principle of the GCF business model and countries will identify their priority result areas in line with their national strategies and plans.



Green Climate Fund context

- The GCF will have a strategic focus on climate change mitigation and adaptation and also seek to maximize sustainable development. So far, agreed 14 initial GCF result areas to enable low-emission and climate-resilient development include:

1. Energy efficiency of buildings and appliances	8. Sustainable forest management
2. Energy efficiency of industrial processes	9. Climate change mitigation and adaptation in cities
3. Low-emission transport	10. Climate hazards
4. Low-emission energy access	11. Themes cutting across adaptation result areas
5. Large-scale low-emission power generation	12. Capacity for programmatic and transformative adaptation activities
6. Agriculture and related land use management	13. Scaling up of community based adaptation actions
7. REDD+ implementation	14. Coordination of public goods such as knowledge hubs



Green Climate Fund context

Proposed GCF access options include:

Access options	Fund management			Implementation	Execution
	Strategic Fund management	Financial intermediation	Country coordination		
Direct	GCF	n/a	NDA	NIEs	EEs
International	GCF	n/a	NDA	IIEs	EEs
Enhanced	GCF	Intermediaries	NDA	NIEs or IIEs	EEs

Note: GCF = Green Climate Fund; NDA = National Designated Authority; NIE = National Implementing Entity; IIE = International Implementing Agency; EE = Executing Entities



Green Climate Fund context

Countries will need the following for accessing GCF funding:

- Ambitious/coherent national climate strategy/policy;
 - Institutional requirements:
 - NDA designated by the Government;
 - NIEs/IIEs proposed by NDA and accredited by GCF
 - Projects & project pipelines that fulfill GCF requirements
- Advantages of using NIEs/direct access: domestic control of project management/planning, and more money will likely flow into investments as no over- heads need to be paid to IIEs



Green Climate Fund context: NIE requirements

Requirements to be met by NIEs (as per current discussion in GCF/B.06/09):

- Fiduciary standards, such as: administrative/financial management and accounting standards; internal/external audit; control framework; procurement framework; disclosure of conflict of interest; code of ethics; capacity to deal with mismanagement/malpractice; project cycle management standards (project identification, appraisal, monitoring, control, evaluation, etc.); ability for financial structuring/engineering, etc.
- Environmental and social safeguards such as: compliance with law; management of environmental/social risks; disadvantaged and vulnerable groups; human rights; gender equity; labor and working conditions; indigenous peoples; involuntary resettlement; protection of natural habitats / biodiversity; climate change; pollution & resource efficiency; public health & security, cultural heritage, etc.



→ NIE requirements expected to be finalized in mid 2014



Part 2

Ghana case study



EFR in Ghana: Timeline

- 2011: EFR Training for government and private sector representatives
- 2012: EFR Action Plan developed
- 2013: Inter-ministerial EFR Commission formed; met regularly since
- 2013-4: Concept/design study for a Ghana Green Fund
- 2013-4: Elaboration of a draft EFR Policy
- 2014: «Roadshow» to consult stakeholders on proposed EFR Policy
- (planned for 2014): Elaboration of draft Ghana Green Fund legislation
- (planned for 2014-5): Eco-tax concept/design studies, followed by the elaboration of draft eco-tax legislation
- (planned for 2014/6): Adoption of EFR policy, GGF Act and eco-tax legislation.



Ghana Green Fund: Objectives

- Facilitate, co-finance and enable investments required to implement relevant policy and law in Ghana, including investments in climate change adaptation & mitigation, waste management, industrial pollution & resource use, biodiversity & nature protection, as well as other sectors covered by Ghanaian environmental and climate change policy.
- Leverage commercial and foreign finance for environmental and climate change investments;
- Develop capacity of Ghanaian stakeholders in the areas project preparation, project appraisal and project finance, enabling Ghana to absorb larger amounts of environmental and climate change investment finance.

→ Ghana Green Fund is designed such that it can be accredited as GCF NIE.



Ghana Green Fund: Justification

- Coping with Ghana's increasing environmental challenges requires significant investments to be financed by public, private and international sources. A dedicated public financial institution is likely best suited to deliver a public environmental expenditure program related to these challenges.
- The Polluter and User Pays Principles cannot be applied to full extent in Ghana now and in the mid-long term.
- Environmental financing expertise is not sufficiently developed and can be best built through a dedicated public financial institution.



Ghana Green Fund: Justification

- Fiduciary, transparency and accountability standards required by foreign partners in environmental and climate change finance can be best satisfied if a public environmental expenditure program is realized through a dedicated public financial institution.
- It is important to implement domestically resourced financing mechanisms in countries moving from low to mid income status such as Ghana, as less and/or different type of donor support will be available for mid income countries.
- A dedicated public financial institution to manage an environmental expenditure program may be instrumental to generate and maintain political and public support for new environmental taxes and/or resource use taxes.



Ghana Green Fund: Proposed revenues

	2014 mln GHS		2015 mln GHS		2016 mln GHS		2017 mln GHS		2018 mln GHS		2019 mln GHS	
	GGF	State budget	GGF	State budget	GGF	State budget	GGF	State budget	GGF	State budget	GGF	State budget
Small scale gold mining royalties	0	0	20	20	43	43	68	68	91	91	120	120
Import duty mining equipm./machinery	0	0	4	0	4	0	4	0	4	0	4	0
Public timber sales	0	0	20	30	40	60	60	90	80	120	80	120
Stumpage fees	0	0	10	15	10	15	11	17	11	17	12	18
CO ₂ tax	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Product taxes	0	0	0	0	50	50	50	50	50	50	50	50
Plastic tax	15	0	20	0	0	0	0	0	0	0	0	0
Green vehicle taxes	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industrial emission taxes	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
International cooperation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	15	0	74	65	147	168	193	225	236	278	266	308

Expected
admin costs
<2% of annual
revenues!



Ghana Green Fund: Proposed spending areas

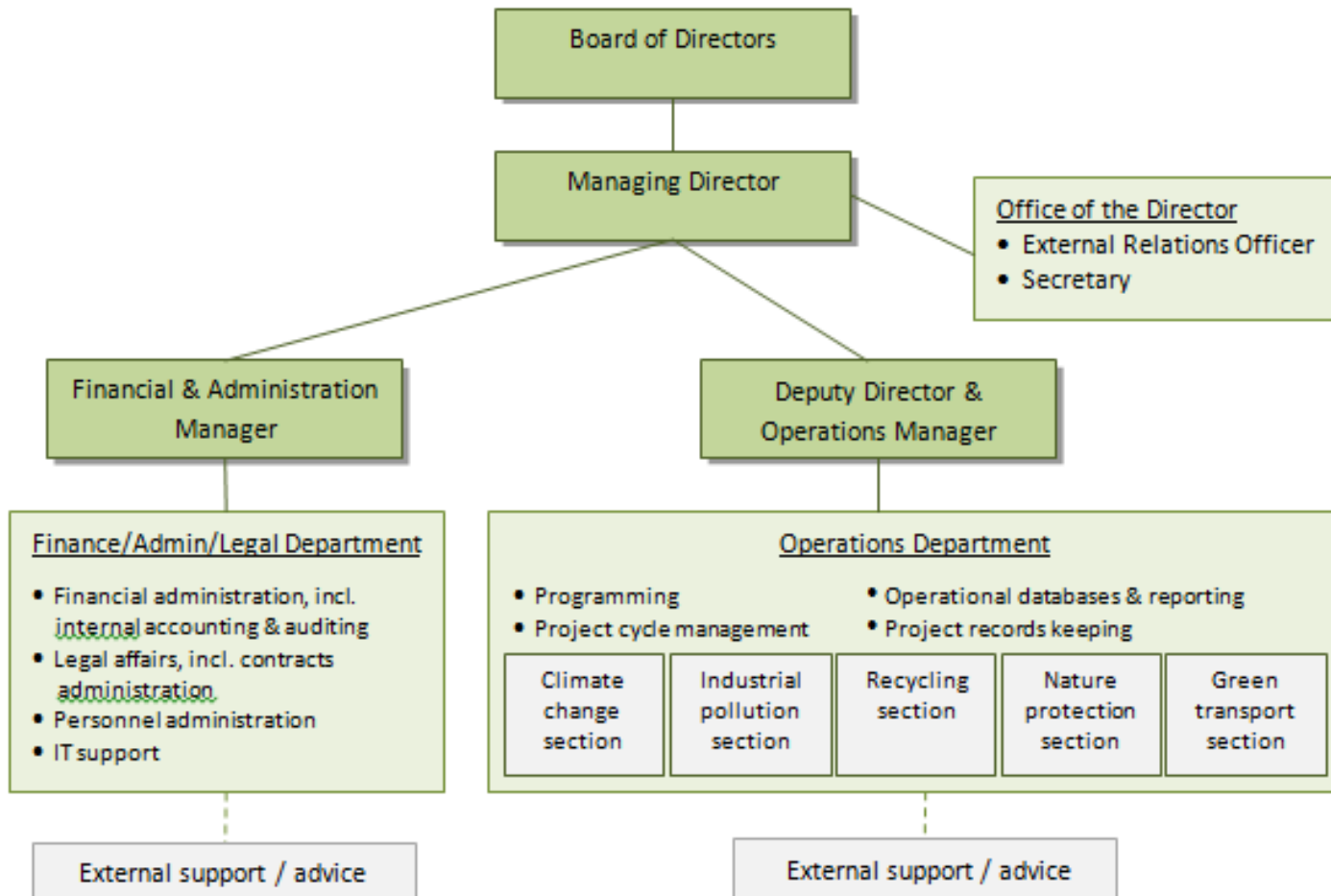
<p>1. Climate change adaptation and mitigation</p> <ul style="list-style-type: none"> • Climate change mitigation program • Climate change adaptation program • Education and awareness program 	<p>2. Industrial pollution, incl. mining related issues</p> <ul style="list-style-type: none"> • Industrial pollution reduction, pollution prevention, cleaner production • Promotion of compliance with environmental regulations • Restoration of land degraded by small scale mining • Livelihood alternatives in mined areas • Education and awareness program 	<p>3. Recycling and waste management</p> <ul style="list-style-type: none"> • Waste recycling and reuse program • Separate waste collection and safe disposal program • Waste-to-energy program • Education and awareness program
<p>4. Nature and biodiversity protection</p> <ul style="list-style-type: none"> • Reforestation program, incl. addressing drivers of deforestation • Sustainable forest management program • National Park development program • Education and awareness program 	<p>5. Green transport</p> <ul style="list-style-type: none"> • Green public transport program • Alternative transport modes program • Education and awareness program 	

→ Min. 80% of annual revenues for investment projects.

→ Min 90% of annual revenues for projects procured in open, public competitive procedures



Ghana Green Fund: Proposed internal structure





Part 3

Namibia case study



EFR in Namibia: Timeline

- Since 2012: Ministry of Finance preparing new CO2 taxes and plastic tax, similar to South African model.
- 2012-3: Elaboration of a document “EFR options for Namibia”.
- 2014: Revision of Environmental Investment Fund (EIF) Act. One major goal is to reform the EIF such that it can be accredited as a GCF NIE.
- Future plans: additional eco-taxes may be developed and considered with possible partial earmarking of revenues to the EIF.



Part 4

Zambia case study



Zambia: Identifying a GCF NIE

- Ongoing work until mid-2014: advise the Zambian Government in nominating Zambia's NDA and accrediting Zambian NIE(s) to the Green Climate Fund.
- There is great interest in accessing GCF via NIEs, but currently there is no established institution which could be accredited given GCF's expected accreditation criteria. Additional work thus focuses on:
 - Identify possible capacity building program for Zambia Development Bank as possible NIE to work with GCF's Private Sector Facility.
 - Address issue of “one comprehensive Fund” vs. “several sub-sectoral Funds” as several sub-sectoral Funds currently exist or are proposed.
 - Identify a possible capacity building program for a new Green/Climate Fund that can be accredited as NIE to GCF.



Part 5

Overview of GIZ's EFR and Climate Finance Training Tools



Overview of GIZ's EFR Training Tool

- Module 1: Introduction to EFR, definitions, concepts
 - Module 2: Air emission taxes, green funds
 - Module 3: Transport related eco-taxes
 - Module 4: Fossil fuel subsidy reform
 - Module 5: Waste management related taxes
 - Module 6: EFR Action Plan
- Training tool and content is flexible, can be adapted to specific demand
- Useful tool to start EFR in a country, for stakeholder sensitization, to launch National EFR Commission, etc.



New GIZ Training Tool coming soon: Climate Finance Training - CliFiT

Dimension	Module	Content
<p>GIZ's Ready for Climate Finance approach</p>	Overview	<ul style="list-style-type: none"> • Introduction to Climate Finance Readiness
	1	<ul style="list-style-type: none"> • Strategic Planning and Mainstreaming • Project financing policies and instruments
	2	<ul style="list-style-type: none"> • Management of climate funds and responsibilities • Good Financial Governance • Gender in Programming & Coordination
	3	<ul style="list-style-type: none"> • The Landscape of International Climate Finance • Direct Access to Climate Finance
	4	<ul style="list-style-type: none"> • Pipeline Development and Project Implementation • Monitoring & Evaluation
	5	<ul style="list-style-type: none"> • Promotion of Investment & Finance

commissioned by



Federal Ministry
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