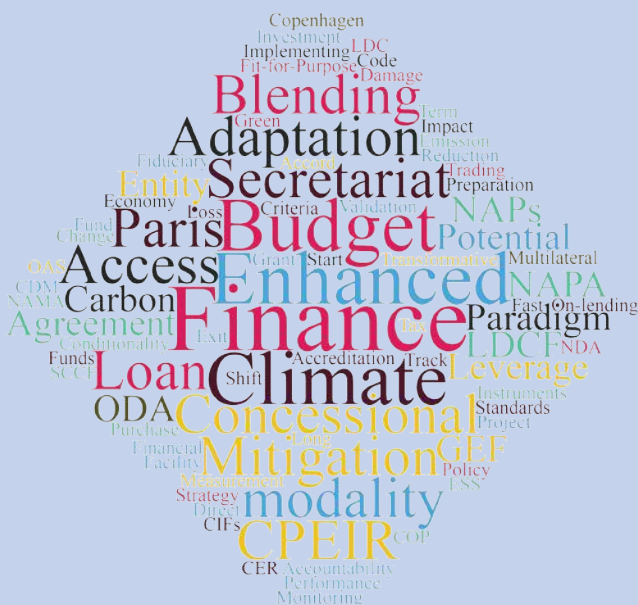


Climate Finance Glossary

English Version



Government of Nepal
Ministry of Finance
Singha Durbar, Kathmandu, Nepal

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Government of Nepal
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Publication date: June 2017

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Citation: GoN/MoF/IECCD. 2017: Climate Finance Glossary. Ministry of Finance, International Economic Cooperation Coordination Division, Kathmandu, Nepal.

Published by: Ministry of Finance, International Economic Cooperation Coordination Division.

Technical Edit and Production: Prakriti Resources Centre (PRC)

Website: www.mof.gov.np/ieccd/

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FOREWORD

Nepal's vulnerability to climate change has been well documented. Evidences suggest that agriculture, forest, water, health, infrastructure, hydropower are sectors are most impacted sectors. Increasing temperatures, climate variability and increased frequency of climate induced disaster events are not only increasing the risk of vulnerable communities but pose potential significant economic losses for the country. With the strong policies and institutional arrangements in place, Nepal has made strong headway towards addressing such risks with increased access to climate finance from bilateral and multilateral agencies and more prominently from the several funding mechanisms under the United Nations Framework Convention on Climate Change (UNFCCC). One such recent funding mechanism is the Green Climate Fund (GCF) that aims to invest in low-emission and climate resilient development pathways to meet the ambitious objectives of the UNFCCC.

The Government of Nepal is at the forefront to integrate climate change and climate finance into national planning and budgeting processes. With the introduction of Climate Budget Code in FY 2012/13, budget allocation of climate relevant budget of public program has been tracked. In 2015, Ministry of Finance (MoF) was nominated as the National Designated Authority for the GCF, to work as an interface for the Fund and convene with national stakeholders and various sectors to access financial resources from the GCF. However, as access to global climate finance shifts towards GCF and as relatively a new funding mechanism, it is realized that there is serious gap in understanding terminologies and GCF processes and procedures by the stakeholders.

Hence, as our continued effort to provide greater understanding of the terms used in broader climate finance and the modalities of the Green Climate Fund, MoF is pleased to share this Climate Finance Glossary. This publication provides definitions of the commonly used key terms in climate finance. While every effort has been made to make the glossary user-friendly, we welcome all suggestion and input to improve it.

I would like to extend sincere appreciation to the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) for the financial support and UNDP and UN Environment for their technical support through GCF Readiness Program and the entire team involved in preparing this glossary.

Baikuntha Aryal
Joint Secretary

Introduction

Climate change has been considered one of the most pressing issues in recent time. Its impacts are wide spread and all countries suffer the consequences. However, poor and vulnerable developing countries like the least developed countries including Nepal are the ones to suffer the most. These countries have low capacity to respond to climate impacts and are also least responsible for causing climate change. Economic security, human development and social justice are threatened at all levels due to climate change.

The Government of Nepal is committed to addressing the issues of climate change and has already initiated several adaptation and mitigation actions to combat it. Climate finance has, therefore, become more critical in addressing climate change: by way of ensuring low carbon development pathways and taking action to adapt to the adverse impacts of climate change.

United Nations Framework Convention on Climate Change (UNFCCC) has established several funds to channel climate finance from developed to developing countries. In 2009, developed country Parties committed to provide US\$100 billion per year by 2020 to developing countries. The Green Climate Fund (GCF), a financial mechanism under the UNFCCC, is the biggest climate funds created to finance climate actions in the developing countries.

The Government of Nepal mandated the Ministry of Finance in 2015 to serve as the National Designated Authority (NDA) of the GCF. This role is largely to act as an interface between the country and the GCF and facilitate climate finance flow into the country. As it is also mandated to engage relevant national stakeholders in the GCF process, the NDA is taking a lead in supporting the government and other stakeholders to understand climate finance.

It is experienced that terminologies and acronyms commonly used in discussion on climate finance make it difficult for many, particularly novices, to fully understand the essence of the discussions. Good understanding of such terminologies among the stakeholders is the prerequisite for making dialogues on climate finance more meaningful. This glossary, therefore, is an attempt to help its users to properly understand the mostly used climate finance terminologies by providing their customised definitions. The users are recommended to visit www.greenclimate.fund for more specific information.

A

Access Modality

Access modality is a process through which national, regional and international entities gain access to GCF resources. The GCF has adopted two modes of access i.e. ‘direct access’ to be used by national institutions and ‘international access’ to be used by international or multilateral institutions.

Accreditation

Accreditation is a pre-requisite for all entities to access GCF funds. It is a process that requires each entity/institution to demonstrate its ability to manage the GCF’s resources in accordance with the standards and criteria set by the Fund. An entity’s eligibility for accreditation is based on three criteria i.e. fiduciary standards, environmental and social safeguards and gender policy.

Accreditation Master Agreement

Accreditation Master Agreement is the legal contract between an accredited entity and GCF. It contains terms and conditions for the accredited entity to use GCF resources and holds the entity accountable for delivery of the projects and/or programmes supported by the Fund. It is the final stage of the accreditation process.

Accreditation Panel

Accreditation Panel is an independent technical body formed by the GCF Board to evaluate applications for accreditation based on fit-for-purpose criteria of the Fund and advises the Board on matters relating to the applicant entities’ accreditation status. The panel is composed of six senior expert members with balanced representation of developing and developed countries.

Accredited Entity

An accredited entity is either national or regional or multilateral institution that meets the GCF standards and achieves its accreditation status. It can be private, public, non-governmental, sub-national, regional or international institution. Only accredited entity can submit a project/ programme proposal and is responsible for overall management of the project/programme funded by GCF. To date, 48 entities are accredited to the GCF. They include 25 multilateral, 9 regional and 14 national entities.

Adaptation

Adaptation refers to adjustments to ecological, social and economic systems in such a manner as to build resilience of human communities and natural ecosystem so as to moderate or minimize potential damage or to benefit from opportunities associated with climate change.

Adaptation Fund

The Adaptation Fund (AF) was established in 2001 under the Kyoto Protocol to finance adaptation projects and programmes in developing countries that are vulnerable to adverse effects of climate change. The Fund is financed with a share of proceeds (2 percent levy on Certified Emission Certificate) from the Clean Development Mechanism (CDM) project activities and other sources of funding. It is supervised and managed by the Adaptation Fund Board. The Global Environment Facility provides secretariat service to the Fund. At present, the total fund available under the AF is USD 358 million. Nepal has accessed USD 9.5 million from the AF through the World Food Programme (WFP) for food security project.

Adaptation Fund Board

Adaptation Fund Board (AFB) is an operating entity, which supervises and manages the Adaptation Fund under the authority and guidance of the Conference of Parties serving as the Meeting of Parties to the Kyoto Protocol (CMP). It is composed of 16 members and 16 alternates. Nepal chaired the Adaptation Fund Board in 2016-2017.

Annex I Parties

These are industrialized countries listed in UNFCCC Annex I and committed to reducing their greenhouse gas emission to 1990 level by the Year 2000. Some of these Parties have also accepted emission reduction targets for the period 2008-2012 as per the Kyoto Protocol.

Annex II Parties

These are countries listed in UNFCCC Annex II, which have a special obligation to provide financial resources and facilitate technology transfer to developing countries. They include 24 members of the Organization for Economic Co-operation and Development (OECD) and the European Union.

B

Blending

Blending refers to combining fund financed from the GCF with money received from other international or national financial sources or own sources to execute projects in scale. For instance, an accredited entity can request a portion of fund from the GCF and blend it with resources provided by other institutions such as the World Bank and the Asian Development Bank.

C

Carbon Finance

Carbon finance is a mechanism adopted by OECD countries to provide money for greenhouse gas (carbon) emission reduction projects in developing countries. The emission reductions are purchased through carbon fund on behalf of the contributor, within the framework of the Kyoto Protocol's Clean Development Mechanism (CDM) or Joint Implementation (JI).

Carbon Tax

It is the tax levied on fossil fuels, especially those used by motor vehicles, intending to reduce the emission of carbon dioxide and for prompting a switch to clean energy. The tax money is intended to fund actions to combat climate change. Carbon tax on flights and ships is also gradually being considered. Nepal also levies 50 paisa per liter on petroleum products as pollution tax.

Certified Emission Reduction

Certified Emission Reduction (CER) is a certificate issued and generated under the Clean Development Mechanism (CDM), for each unit of reduction in the greenhouse gas emission from the atmosphere. One CER is equal to one metric ton of carbon dioxide equivalent (CO₂e). It can be traded in a voluntary carbon market and used by developed countries to meet emission reduction commitments.

Clean Development Mechanism

Clean Development Mechanism (CDM) is a mechanism under the Kyoto Protocol through which developed countries may finance projects on reduction or removal of greenhouse gas emissions in developing countries,

and, in return, receive carbon credits for doing so which they may apply to meeting mandatory limits on their own emissions.

Climate Change

It refers to change in an average weather condition in addition to natural climate variability observed over a comparable time period, generally of 30 years. Such change is caused, directly or indirectly, by human activities that alter the composition of the global atmosphere. The alteration of the global atmosphere is caused by excessive emission of green house gases as a result of human activities.

Climate Change Budget Code

Climate Change Budget code is a code used to tag the national budget heads pertaining to climate change i.e. adaptation and mitigation, by dividing climate actions into three categories - highly relevant, relevant and neutral. It helps to track the volume and nature of climate finance and facilitates prioritization of climate relevant development investment in the most vulnerable sectors. The Government of Nepal has been using this code in the national budget since Fiscal-Year 2013/14.

Climate Change Council

It is an apex government body responsible for coordination, guidance and direction for the formulation and implementation of climate change policies in Nepal. It was formed in 2009 and is chaired by the Rt. Hon. Prime Minister of Nepal. The Council has sectoral line ministers, vice-chair of National Planning Commission and eight experts as members. Its secretariat is housed at the Ministry of Population and Environment.

Climate Change Management Division

It is an administrative unit under the Ministry of Population and Environment of the Government of Nepal, which is responsible for coordination and management of climate change work in the country. It also serves as Nepal's focal point to the UNFCCC and Inter-governmental Panel on Climate Change (IPCC).

Climate Change Policy

It is a policy approved by the Government of Nepal in 2011. It intends to improve people's livelihoods by mitigating and adapting to adverse impacts of climate change, and adopting a low carbon emission socio-economic development path aligning with national and international agreements on climate change. Climate adaptation and disaster risk reduction, low carbon development and climate resilience, access to financial resources and utilization, capacity building, peoples' participation and empowerment, study and research, technology development, transfer and utilization, and climate-friendly natural resources management are the key components of this policy.

Climate Finance

Climate finance is the flow of funds from developed countries to developing countries to address the issues related to climate change. It refers to local, national or transnational financing, primarily provided by developed countries, which may be drawn from public, private and alternative sources and mobilized to help developing countries mitigate and adapt to the impacts of climate change. The developing countries aim to utilize available fund to ensure national development process is low carbon and build resilience from climate change. Lately, climate finance is also flowing from richer developing countries to poorer developing countries in the form of South – South cooperation.

Climate Finance Technical Committee

Climate Finance Technical Committee is a committee formed by the Ministry of Finance to provide recommendations to the concerned Ministry on GCF related matters, particularly on accreditation process of national entities and programme/ project proposal reviews and submissions. This committee is headed by the Joint Secretary at the International Economic Cooperation Coordination Division in the Ministry of Finance. This committee comprises nine members.

Climate Funds

Climate funds are resources earmarked at multilateral, bilateral and/or national levels for measures that address climate change. Several climate change dedicated funds such as GCF, Least Development Countries Fund

(LDCF), Adaptation Fund, and Climate Investment Funds have been established to support the poor and vulnerable developing countries.

Climate Investment Funds

The Climate Investment Funds (CIFs) is a multi-donor trust fund established by developed countries to provide developing and middle-income countries with urgently needed resources to manage the challenges of climate change and reduce their greenhouse gas emissions. The World Bank acts as a trustee of this fund. CIF consists of two distinct funds: the Clean Technology Fund and the Strategic Climate Fund. Currently, Nepal is implementing projects such as the Pilot Project for Climate Resilience, Scaling up Renewable Energy Programme and Forest Investment Programme under the Strategic Climate Fund.

Climate Public Expenditure and Institutional Review

Climate Public Expenditure and Institutional Review (CPEIR) is a methodological tool to analyze, how climate change related expenditure is being integrated into national and sub-national budgetary processes. It has three key pillars: Policy Analysis, Institutional Analysis and Climate Public Expenditure Analysis. It supports to identify and track climate related expenditure in the national budget.

Climate Technology Fund

Climate Technology Fund (CTF) is one of the funds within the CIFs that is aimed at financing low carbon technologies such as renewable energy, energy efficient and clean transport with significant potential for long-term greenhouse gas emissions savings in developing and middle-income countries.

Co-Financing Mechanism

Co-financing mechanism is a practice in which multiple agencies finance the same project. Climate Co-Finance is the amount of financial resources contributed by the external entities along with climate finance invested by Multilateral Development Banks (MDBs). The financial resource providers include, among others, government or government-affiliated institution as well as the private sector, which are in the form of trust funds and international climate funds managed by MDBs.

Concept Note

Concept note is a project or programme concept document that provides basic information about a project or a programme. It is also basis for seeking feedback on whether the concept is broadly aligned with the objectives and policies of the GCF. Based on the feedback, a full project proposal is developed and submitted to access GCF fund. Accredited entity may wish to submit a concept note seeking GCF funding.

Concessional Loan

Concessional loan is one of the financial instruments having special feature with no or lower interest and extended repayment schedule than those of standard market or multilateral loan provided by GCF to poor and climate vulnerable countries to execute climate actions and achieve sustainable development. There are two sets of concessional loans;

- Concessional Loans 1 (deeply concessional): The interest rate is zero per cent with 15 to 40 years maturity including 5 to 10 years grace period.
- Concessional Loans 2 (moderately concessional): The interest rate is based on benchmark rate of lending (Euros: European Central Bank rate, US dollars: United States Treasury bond rate) with 8 to 15 years including 2 to 4 years grace period.

A service fee is set at 0.75 per cent for both concessional 1 and 2.

Conditionality

Conditionality refers to conditions that recipient entities need to fulfill to receive financial support from the GCF. These conditions may include earmarking funds to certain sectors, co-financing, procurement design, fulfilling certain criteria under social and environmental context, etc.

Conference of Parties

Conference of Parties or COP is the supreme body of the UNFCCC that is the highest decision-making authority. The COP is responsible for keeping on track international efforts to address climate change. It also reviews the implementation of the convention and examines the commitments of Parties in light of the convention's objective, new scientific findings and experience gained from implementing climate change policies.

Conference of Parties Serving as the Meeting of Parties to the Kyoto Protocol

The Meeting of the Parties to the Kyoto Protocol (CMP) oversees the implementation of the Kyoto Protocol and takes decisions to promote its effective implementation. The session of the COP and the CMP are held annually during the same period. All States that are Parties to the Kyoto Protocol are represented at the Conference of the Parties while States that are not parties participate as observers.

Copenhagen Accord

Copenhagen Accord is a political agreement of the world leaders as part of which the participating countries have explicitly pledged to undertake specific actions to mitigate greenhouse gas emission. The Copenhagen accord was reached at the 15th Session of the Conference of Parties (COP15) to United Nations Framework Convention on Climate Change in Copenhagen in 2009.

D

Decision-making

GCF Board prefers and ensures consensus-based decision making by the Board members. This includes basic principles of decision-making such as: equality, balanced partnership, one Board, layered majorities and incentivized contributions. If all the efforts of reaching consensus exhaust, the Board develops procedures for adopting decision (such as vote).

Direct Access

A mechanism in which national accredited entities of developing countries gain direct access to GCF funds to implement the selected projects and/or programmes. These entities may wish to choose other executing entities to carry out the work.

Direct Access Entity

Direct Access Entity (DAE) is a national or regional entity that is accredited with the GCF to access finance through the direct access modality to implement projects and programmes. These entities can be private or public, non-governmental, sub-national, national or regional. Accredited entities

carry out a range of activities that usually include the development of funding proposals and the management and monitoring of projects and programmes.

E

Emission Reduction Purchase Agreement

It is a legally binding agreement between buyers and sellers of carbon credits. This is generally signed before CDM project is registered or credits are issued.

Emission Trading

Emission Trading is a market-based approach to control greenhouse gases emission. It facilitates buying and selling of greenhouse gases by issuing certified emission certificate.

Enhanced Direct Access

Enhanced Direct Access (EDA) is a mechanism in which the developing countries access finance via national accredited entities from GCF to implement programmes with devolved decision making for selection and approval of projects at the country level. The country and the entities have more ownership and decision making power to implement the programmes agreed by the GCF. Under the EDA modality, GCF has committed USD 200 million for at least 10 pilots - four of them to be implemented in Small Island Development States, Least Developed Countries and African States.

Entity

An entity is an institution that seeks GCF accreditation to access financial resources from the Fund for its projects and programmes. The institutions can be a national, regional or international entity from both public and private sectors. Some entities play the role of executing the national level project/programme received by the accredited entity.

Environmental and Social Safeguards

Any GCF-funded programme or project should limit environmental and social risks to the minimum. Environmental and Social Safeguards (ESS) are the measures undertaken to prevent and mitigate possible undue harm of GCF-funded projects/programmes to people and environment. GCF's

ESS is based on eight performance standards (PSs) i.e PS1: Assessing and managing relevant PS 1-8 environmental, social risks and impacts through an institutional environment and social management system, PS2: Labour and working condition, PS3: Resource efficiency and pollution prevention, PS4: Community health, safety and security, PS5: Land acquisition and involuntary settlement, PS6: Biodiversity conservation and sustainable management of living natural resources, PS7: Indigenous peoples and PS8: Cultural heritage. An entity needs to demonstrate its capacity to undertake environmental and social safeguards measures to get accredited.

Executing Entity

An Executing Entity (EE) is an institution responsible for the execution of projects/ programmes funded by the GCF. There can be more than one executing entity in a country to implement the project. These executing entities are chosen by the implementing entities and are accountable to them. Sometimes, both executing entity and NIE could be the same institution.

Exit Strategy

Exit strategy is a strategy designed to phase out a project/programme after achieving the set objectives ensuring that the ongoing activities, impact and results of the project/programme sustain even beyond the GCF's intervention.

F

Fast Start Finance

Fast Start Finance refers to a collective financial commitment of USD 30 billion for the period 2010-2012 that developed countries committed to provide to developing countries to address climate change issues. This commitment was made at the 15th Session of the Conference of Parties (COP15) of the UNFCCC in 2009 in Copenhagen, Denmark.

Fast Track Accreditation

This is an accreditation process in which entities or group of entities that meet other fiduciary, environmental and social principles and standards that are comparable to GCF's fiduciary standards and environmental and social safeguards may be eligible for GCF's accreditation through a process shorter

than the standard accreditation procedure. Under the GCF, entities accredited by Adaptation Fund, Global Environment Facility (GEF), and Directorate-General Development and Cooperation- European Aid of the European (EU DEVCO) can apply for fast track accreditation.

Fiduciary Standards

Fiduciary standards are important criteria an entity needs to meet to get accredited by GCF. An entity seeking accreditation needs to demonstrate its capacity to meet five elements of GCFs fiduciary standards. They are:

- Core financial and administrative functions
- Good governance
- Procurement processes and systems
- Transparency and integrity and
- Project cycle management

There are two sets of standards under the GCF- basic and specialized. The basic standards include administrative and financial capacities, and transparency and accountability. The specialized standards include project management, grant award mechanism and on-lending and blending.

Financial Instruments

Financial instruments are monetary assets that can be traded between accredited entities and the GCF to deploy the Fund's resources to undertake mitigation and adaptation activities. GCF uses various financial instruments such as grants, concessional loans, guarantees and equity investments.

Fit-for-Purpose

Fit-for-Purpose is a criteria set by GCF to evaluate accreditation applications submitted by prospective entities. It includes four yardsticks i.e. mandate and track record; fiduciary functions; environmental and social risk categories and project size. In 'mandate and track record', GCF reviews whether or not the applicant entity's objectives/ mandate are aligned with those of GCF and whether the entity has completed at least three years of operation. Likewise, 'fiduciary functions' includes basic and specialized standards; 'environmental and social risk categories' includes high (category A), medium (category B)

and low (category C) risk levels; and 'project size' includes micro (<USD 10 million), small (USD 10-50 million), medium (USD 50-250 million) and large (>USD 250 million).

This is a tiered approach that classifies applicant entities according to the intended scale, nature and risks of their proposed activities.

Focal Point

Focal point is a nationally designated organization in a country with a pivotal role to facilitate interface between a country and the GCF. The terms Focal Point and National Designated Authority are interchangeably used.

G

GCF Secretariat

The secretariat is an independent body of the GCF responsible for updating day-to-day operation of the fund. The Secretariat is headed and managed by an Executive Director (ED) appointed by the Board along with other professional staff members. The activities carried out by the secretariat include: organizing all legal, financial and administrative duties, development and monitoring of portfolio, resource mobilization, and communication and outreach.

Global Environment Facility

The Global Environment Facility (GEF) is a unique partnership of 18 agencies (including United Nations Agencies, Multilateral Development Banks, national entities and international NGOs) working with 183 countries to address the world's most challenging environmental issues. It serves five conventions including UNFCCC as their "financial mechanism". The World Bank serves as the trustee and is accountable to the GEF Council for the performance of its fiduciary responsibilities.

Governing Instrument

The Governing instrument is a charter that governs the operation and management of the GCF. It was approved by the 17th Session of the COP of UNFCCC in Durban, South Africa in 2011.

Grant

Grant is a type of financial instrument provided by the GCF to address climate adaptation and/or mitigation project/programme in the developing countries with no expectation of a return payment. Both international and national entities accredited by GCF are eligible for grants as per the agreed terms and conditions.

Grant Award

Accredited entity can receive grant from GCF. This grant can be awarded to other executing entities for implementation of selected programmes and/or projects.

Green Climate Fund

Green Climate Fund (GCF) is a unique global initiative to respond to climate change by investing in low-emission and climate –resilient development. It was established in 2010 with a mission to advance the goal of keeping the temperature increase on our planet below 2 degrees Celsius. It supports projects, programmes, policies and other activities in the developing country parties to UNFCCC. A Board of 24 members comprising equal numbers from developing and developed countries governs it. At present, USD 10.3 billion has been pledged to this fund.

Greenhouse Gases

Gases like carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄), ozone (O₃) in the atmosphere that is contributing to the green house effects are called Greenhouse Gases (GHGs). These gases prevent solar radiation from escaping, trapping the heat near the earth's surface where it warms the earth's atmosphere. Primarily, rapid industrialization and vehicular emission have given rise to GHGs thereby leading to increase in earth's temperature.

I

Impact Potential

Impact potential refers to potential of the programme/project submitted to GCF Board for approval to contribute to the achievement of the GCF's objectives and eight result areas. The two core indicators for impact potential are:

- Mitigation core indicators: Total tons of CO₂ equivalent to be avoided or reduced per annum.

- **Adaptation core indicators:** Expected total number of direct and indirect beneficiaries and number of beneficiaries relative to total population (e.g. total lives to be saved from disruption due to climate related disasters).

Information Disclosure Policy

This is a policy adopted by the GCF, which promotes transparency and accountability in all aspects of its operations that aims to strengthen public trust.

Investment Criteria

Investment criteria are a set of criteria adopted by GCF to assess the funding proposals submitted by accredited implementing entities. There are six investment criteria: impact potential, paradigm shift potential, sustainable development potential, needs of the recipient, country ownership and efficiency and effectiveness.

K

Kyoto Protocol

Kyoto Protocol (KP) is the international agreement that sets binding targets for reduction of greenhouse gas emissions by industrialized countries (mostly OECD member countries and those with economies in transition) under the UNFCCC. It was adopted at the Third Session of the Conference of the Parties (COP3) to the UNFCCC in 1997 in Kyoto, Japan. It entered into force on 16 February 2005 and requires a separate ratification by governments.

L

Least Developed Countries Fund

The Least Developed Countries Fund (LDCF) is a dedicated climate fund established to address the needs of the LDCs under the UNFCCC. It primarily prioritizes the implementation of LDC work programme including preparation and implementation of National Adaptation Programme of Action (NAPA). It was established during the Seventh Session of the Conference of Parties (COP7) of the UNFCCC at Marrakech in 2001. It is managed under the Global Environment Facility, which is an operating entity of the Financial Mechanism of the UNFCCC.

Least Developed Countries

Least Developed Countries are considered the world's poorest and exhibit the lowest indicators of socio-economic development and Human Development Index ranking among all countries in the World. The United Nations uses three criteria to assess the country – i) Countries with per capita Gross National Income below USD 750; ii) Weak Human Resources involving a composite Human Asset Index; and iii) High Economic Vulnerability. UNFCCC has acknowledged the special needs and special situation of LDCs as least capable of dealing with adverse impacts of climate change and require additional financial and technical support. Currently, 48 countries including Nepal have been categorized as LDCs.

Leverage

Leverage is used in the context of climate finance in which it refers to public finance (e.g. from international finance institutions) that is used to encourage private investors to back the same project. This can be in the form of loans, risk guarantees and insurance or private equity. This is also intended to reduce the perceived risk for the private sector. Financial institutions apply the terminology 'leveraging' to understand how their core contributions (for example, money provided by donor governments to a multilateral development bank) can be invested in capital markets to create an internal multiplier effect.

Long Term Finance

Long Term Finance refers to the financial commitment by developed countries to the developing countries for funding climate change actions up to 2020 and beyond. Developed Countries have a joint commitment to mobilizing USD 100 billion per year by 2020 from a wide variety of sources-- public and private, bilateral and multilateral, and other alternative sources-- in the context of meaningful mitigation actions and transparency of implementation.

Loss and Damage

Loss and damage refers to the negative effects of climate change that people have not been able to cope with or adapt to. Loss and damage emanating from climate change impacts can be both economic and non-economic in nature. The concept was introduced in UNFCCC in the 13th Session of the COP in Bali, Indonesia and later, in Cancun Adaptation Framework in 2010.

Low Carbon

The term Low Carbon or Low Carbon Development means reduction of carbon emission to minimal level to mitigate greenhouse gases responsible for global warming and climate change. The concept of low carbon development was first discussed in UNFCCC, Rio in 1992. Low carbon development is generally expressed with the term Low Emission Development Strategies (LEDS) or Low Carbon Development Strategies (LCDS).

Low Carbon Economy

Low Carbon Economy is a sector of economy with a broader focus on sustainable development. The goods and services are provided by country to its citizen while at the same time carbon-emission is also checked. It focuses on economic growth with low negative impact on the environment. The Government of Nepal refers to a Low Carbon Economic Development Strategy (LCEDS) in its Climate Change Policy (2011) with the broader objective of identifying the key approaches and interventions to drive the country along the low carbon development path, which will encourage the optimum economic development.

M

Mitigation

Mitigation is human intervention aimed at reducing the sources or enhancing the sinks of greenhouse gases. It may include activities such as using fossil fuels more efficiently for industrial purposes, transport or electricity generation, switching to solar energy or wind power, improving the insulation of buildings, and expanding forests and other 'sinks' to remove greater amounts of carbon dioxide from the atmosphere.

Monitoring and Accountability Framework

Green Climate Fund has developed a Monitoring and Accountability Framework to periodically check the performance of accredited entities. The framework has two components: i) Monitoring of accredited entity's compliance with accreditation standards and ii) Monitoring and evaluation of GCF funded projects and programmes. In compliance monitoring (1), accredited entities need to conduct an annual self-assessment, mid-term review and also ad-hoc compliance review as necessary. As part of projects

and programmes monitoring, accredited entities need to perform annual performance monitoring, and interim and final evaluation of the project and programmes funded by GCF. Accredited agency needs to submit all monitoring and evaluation reports to the GCF secretariat.

Multilateral Implementing Entity

Multilateral Implementing Entity is multilateral institution such as the UN Agencies, Multilateral Development Banks and other international organizations accredited with the Green Climate Fund. They can be chosen by eligible countries to submit proposals on their behalf. These institutions will bear the full responsibility of managing the GCF-funded projects and programmes, monitoring and financial reporting.

N

National Adaptation Plan

National Adaptation Plan (NAP) is a continuous, progressive and iterative process undertaken by developing country parties to the UNFCCC to identify medium and long-term adaptation needs. It also includes developing and implementing strategies and programmes to address those needs. Nepal is currently in the process of preparing its NAP building on the experience of National Adaptation Programme of Action.

National Adaptation Programme of Action

National Adaptation Programme of Action (NAPA) is a programme prepared by LDC party to the UNFCCC that identifies priority activities to address the urgent and immediate needs and concerns relating to adaptation to the adverse effects of climate change. Nepal prepared and submitted its NAPA to the UNFCCC in 2010.

Nationally Appropriate Mitigation Actions

Nationally Appropriate Mitigation Actions (NAMA) are policies, programmes and projects that developing countries undertake to contribute to the global effort to reduce greenhouse gas emissions. Developing country parties to the UNFCCC need to submit NAMAs document to the UNFCCC. However, it is not mandatory for LDCs like Nepal. The concept of NAMA was first introduced in

the 13th Session of the Conference of Parties of UNFCCC in Bali, Indonesia and formalized later in subsequent meetings held in Copenhagen and Cancun.

National Designated Authority

National Designated Authority (NDA) is a government-designated institution or agency in a country with the role of facilitating interface and function as the main point of communication between the country and the GCF. The Ministry of Finance is a National Designated Authority of GCF for Nepal. NDA's role is to ensure that activities supported by the Fund align with strategic national objectives and priorities and help advance ambitious actions on adaptation and mitigation in line with national needs. Providing letters of nomination to national implementing entities and no objection letters to entities seeking financial support from the GCF are also part of NDA role.

Nationally Determined Contributions

Nationally Determined Contributions (NDC) is a term used under the UNFCCC referring to actions designed to combat climate change, especially for reduction of greenhouse gas emissions by all the countries that are party to the UNFCCC. NDCs are the basis of post-2020 global emissions reduction commitment. Before the Paris Agreement came into force Nationally Determined Contributions were called Intended Nationally Determined Contributions (INDC). Many developing countries have also included other actions related to adaptation, technology and finance in their NDCs. Nepal submitted its NDC to UNFCCC in February 2016 highlighting Nepal's adaptation and low carbon development plans. Nepal's NDC envisions meeting 80% of Nepal's renewable energy demand by 2050.

National Implementing Entity

National Implementing Entity (NIE) is the national institution, both public and private, accredited to the GCF. Upon accreditation they can access financial resources for project/programme from the GCF. Currently, Alternative Energy Promotion Center (AEPC) and National Trust for Nature Conservation (NTNC) are in the initial process of getting GCF accreditation as NIE.

Nomination Letter

This is a letter issued by National Designated Authority or focal point to aspirant entities seeking GCF accreditation. Entities applying for accreditation need to submit such nomination letter as a part of their application for accreditation.

No Objection Letter

No Objection Letter is a letter issued by a National Designated Authority or a Focal Point, signed by its Official Representative, confirming that it has no objection to a funding proposal submitted on behalf of its country by an accredited entity.

O

Official Development Assistance

Official Development Assistance (ODA) refers to financial assistance provided to developing countries and the multilateral institutions by official agencies, including state and local governments of developed countries for promotion of their economic development and welfare. In 1970, it was agreed that developed countries would provide 0.7 per cent of their Gross National Income (GNI) as ODA to developing countries. Generally, ODA is also known as foreign aid.

On-lending

An entity accredited under specialized fiduciary standards can receive money from GCF with the intention of lending it to other executing entities for the implementation of selected programmes and/or projects. This can also include providing equity or guarantees to other entities.

Online Accreditation System

Online Accreditation System (OAS) is a secure internet accessible application, which allows an entity to submit an application for accreditation to the GCF. All entities, including international, regional, national and sub national entities can apply for accreditation to the Fund.

P

Paradigm Shift Potential

Paradigm shift potential is defined as a degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment under

the GCF funding. It is one of the major investment criteria to be followed while submitting project/programme proposals to GCF. It is further defined by the following sub criteria.

- Innovation,
- Potential for scaling-up and replication for both mitigation and adaptation,
- Potential for knowledge and learning,
- Contribution to the creation of an enabling environment and
- Contribution to the regulatory framework and policies.

Paris Agreement

Paris Agreement is an international agreement concluded at the 21st Session of the Conference of Parties (COP21) of the United Nations Framework Convention on Climate Change held in November 2015 in Paris, France. It aims to strengthen the global response to the threat of climate change by keeping a global temperature rise in this century well below 2 degree Celsius above pre-industrial level and to pursue efforts to limit the temperature increase even further to 1.5 degree Celsius. Paris Agreement entered into force on 4th November 2016. Nepal has signed and ratified this Agreement.

Performance Measurement Framework

Performance Measurement Framework (PMF) is a framework used by the GCF and its accredited entities to measure performance of projects and programmes funded by the GCF. This includes a set of adaptation and mitigation indicators against which the progress towards results, impacts and outcomes outlined in the GCF's mitigation and adaptation logic models are measured.

Project Preparation Facility

Project Preparation Facility (PPF) is a financial support provided by the GCF usually in the form of grants to the accredited entities (AEs), especially direct access and micro-to-small size projects. If the concept note submitted to GCF is found potential to be developed into a full funding proposal, the proponent can request for GCF support for the project and programme preparation activities under PPF. Readiness support is available under Project Preparation Facility.

Private Sector Advisory Group

The Private Sector Advisory Group (PSAG) is a committee established under the GCF Board to advise and present recommendation to the Board for mobilizing resources in scale and working with local private sector entities, including Micro, Small and Medium Enterprises (MSMEs).

Private Sector Facility

Private Sector Facility (PSF) is a mechanism in which the GCF can directly provide grants, concessional loans, risk guarantees or other forms of financial products (e.g. green bonds, refinancing, credit lines, equity financing) to accredited private companies or pass them on to such companies by accredited intermediaries. It is one of the windows under the GCF to encourage private sector role and investment in climate actions.

Public and Private Partnership

Public and Private Partnership is a general term for a contractual relationship between the public sector and private companies to finance, design, build and operate facilities such as roads, hospitals and schools. This form of financing is increasingly being explored as a means to fund climate-related infrastructures.

R

Reducing Emissions from Deforestation and Forest Degradation

Reducing Emissions from Deforestation and Forest Degradation (REDD+) is a programme aimed at enhancing actions to reduce emissions from deforestation and forest degradation, and encouraging conservation and sustainable management of forests. This was established by the Bali Action Plan adopted at the 13th Session of the COP of UNFCCC.

Regional Implementing Entity

Regional Implementing Entity (RIE) is the regional institution accredited by GCF to receive finance from the Fund to carry out climate change projects and programmes. These include institutions like Secretariat of the Pacific Regional Environment Programme (SPREP) and Caribbean Community Climate Change Center that have already been accredited to the GCF.

Result Management Framework

Result Management Framework (RMF) is an approach adopted by GCF that enables effective monitoring and evaluation of outputs, outcomes and impacts of the GCF's investment and portfolio, and the Fund's organizational effectiveness and operational efficiency. It includes two separate logic models for adaptation and mitigation. Each logic model describes how inputs and activities supported by GCF lead to a change in the form of results achieved at the project/ programme, country, strategic impact and paradigm shift level with indicative time period.

S

Secretariat

Secretariat refers to Climate Change Secretariat that facilitates the work of the UNFCCC, Kyoto Protocol and Paris Agreement. It is established under Article 8 of the Convention, which is based in Bonn, Germany. The main specific task of the secretariat is to prepare official document for the COP and subsidiary bodies, to coordinate in-depth reviews of Annex I party national communications and to compile greenhouse gas inventory data.

Small Island Developing States

Small Island Developing States (SIDS) are a distinct group of developing countries facing specific social, economic and environmental vulnerabilities such as over-population, limited resources, susceptibility to natural disasters, excessive dependence on international trade, and fragile environments. SIDS can access GCF funds to lower the energy emission and promote climate resilience. GCF supports SIDS for cost-effective adaptation measures to maintain the viability of these islands despite the climate change impacts.

Special Climate Change Fund

Special Climate Change Fund (SCCF) was established at the Seventh Session of the Conference of Parties (COP7) of UNFCCC at Marrakech in 2001 to finance projects relating to: adaptation; technology transfer and capacity building; energy, transport, industry, agriculture, forestry and waste management; and economic diversification. This fund should complement other funding mechanisms for the implementation of the Convention in the developing countries. The Global Environment Facility has been entrusted to operate this Fund.

T

Transformative Change

Transformative change refers to a change in the fundamental attributes of a system that are revolutionary and large scale. This type of changes cross the threshold and creates discontinuity in the system through adoption of new policies, measures, institutional constructs and activities. Transformative change is a part of ongoing decision-making process, which helps to improve the adaptation and mitigation actions. For example, a decision to remove high value fossil fuel energy infrastructure and replace with renewable energy such as solar, hydropower and wind. GCF uses the term ‘paradigm shift’ instead of ‘transformative change’ which is a shift of all countries towards low-emission and climate resilient sustainable development. However, both the terms are used interchangeably.

U

United Nations Framework Convention on Climate Change

United Nations Framework Convention on Climate Change (UNFCCC) is a framework for international cooperation to combat climate change. It aims to stabilize the greenhouse gas concentration in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. It focuses on both mitigation and adaptation measures. There are now 197 parties to the Convention that was adopted at the Earth Summit in 1992.

V

Validation

Validation is the last stage of GCF accreditation process. In this stage, GCF validates the payment instruction provided by the entity. This ensures that payment for project/ programme implementation efficiently flows to the entity.

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Index

A	2
Access Modality	2
Accreditation	2
Accreditation Master Agreement	2
Accreditation Panel	2
Accredited Entity	2
Adaptation	3
Adaptation Fund	3
Adaptation Fund Board	3
Annex I Parties	3
Annex II Parties	3
B	4
Blending	4
C	4
Carbon Finance	4
Carbon Tax	4
Certified Emission Reduction	4
Clean Development Mechanism	4
Climate Change	5
Climate Change Budget Code	5
Climate Change Council	5
Climate Change Management Division	5
Climate Change Policy	6
Climate Finance	6
Climate Finance Technical Committee	6
Climate Funds	6
Climate Investment Funds	7
Climate Public Expenditure and Institutional Review	7
Climate Technology Fund	7
Co-Financing Mechanism	7
Concept Note	8
Concessional Loan	8
Conditionality	8

Conference of Parties	8
Conference of Parties Serving as the Meeting of Parties to the Kyoto Protocol	9
Copenhagen Accord	9
D	9
Decision-making	9
Direct Access	9
Direct Access Entity	9
E	10
Emission Reduction Purchase Agreement	10
Emission Trading	10
Enhanced Direct Access	10
Entity	10
Environmental and Social Safeguards	10
Executing Entity	11
Exit Strategy	11
F	11
Fast Start Finance	11
Fast Track Accreditation	11
Fiduciary Standards	12
Financial Instruments	12
Fit-for-Purpose	12
Focal Point	13
G	13
GCF Secretariat	13
Global Environment Facility	13
Governing Instrument	13
Grant	14
Grant Award	14
Green Climate Fund	14
Greenhouse Gases	14
I	14
Impact Potential	14
Information Disclosure Policy	15
Investment Criteria	15

K	15
Kyoto Protocol	15
L	15
Least Developed Countries Fund	15
Least Developed Countries	16
Leverage	16
Long Term Finance	16
Loss and Damage	16
Low Carbon	17
Low Carbon Economy	17
M	17
Mitigation	17
Monitoring and Accountability Framework	17
Multilateral Implementing Entity	18
N	18
National Adaptation Plan	18
National Adaptation Programme of Action	18
Nationally Appropriate Mitigation Actions	18
National Designated Authority	19
Nationally Determined Contributions	19
National Implementing Entity	19
Nomination Letter	20
No Objection Letter	20
O	20
Official Development Assistance	20
On-lending	20
Online Accreditation System	20
P	20
Paradigm Shift Potential	20
Paris Agreement	21
Performance Measurement Framework	21
Project Preparation Facility	21
Private Sector Advisory Group	22
Private Sector Facility	22
Public and Private Partnership	22

R	22
Reducing Emissions from Deforestation and Forest Degradation	22
Regional Implementing Entity	22
Result Management Framework	23
S	23
Secretariat	23
Small Island Developing States	23
Special Climate Change Fund	23
T	24
Transformative Change	24
U	24
United Nations Framework Convention on Climate Change	24
V	24
Validation	24

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