

Lessons from Climate Finance

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Climate Finance Definitions

A: all financing (including but not limited to investments) that is related to climate-relevant purposes.

B: financial flows that can be „counted“ towards the commitments of Annex II Parties to the UNFCCC

Climate Finance Readiness

Figure 2: Components of Climate Finance Readiness

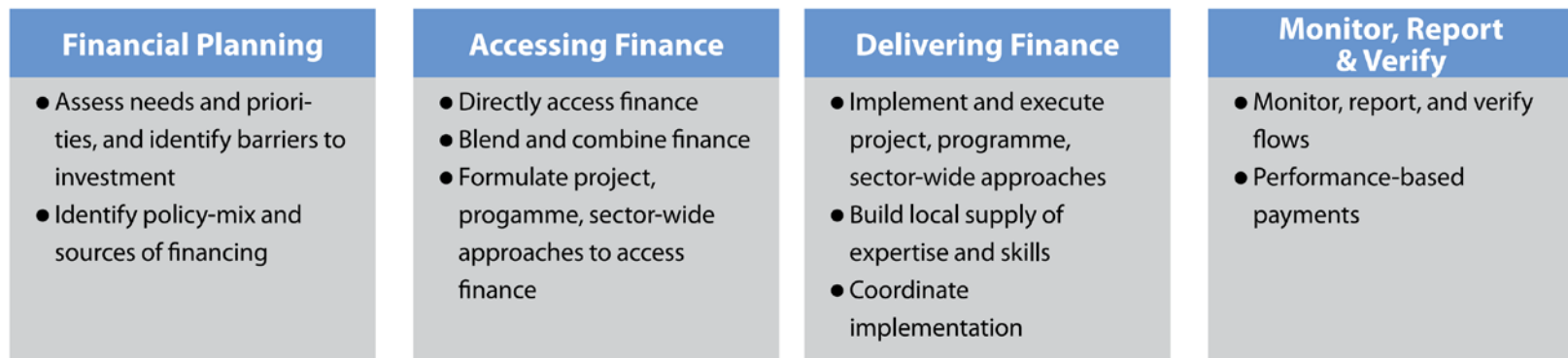


Table 1: The Components of Climate Finance Readiness and associated capacities required

	Financial Planning	Accessing Finance	Delivering Finance	Monitor, Report & Verify
Levels of national capacities	<ul style="list-style-type: none"> ● Assess needs and priorities ● Identify sources of financing 	<ul style="list-style-type: none"> ● Programming finance ● Direct access to Finance ● Blend and combine finance ● Catalyze private finance 	<ul style="list-style-type: none"> ● Project, programme, sector-wide implementation and execution ● Local supply of expertise and skills ● Coordination systems 	<ul style="list-style-type: none"> ● Monitor, report, and verify flows ● Performance-based payments
Policy Level	Formulation of green, low-emission and climate-resilient development strategies and implementation plan, including costing	Sectoral policy incentives and regulations to catalyse private investments		
Institutional Level	Effective national multi-stakeholder coordination mechanisms	Implementing entities with fiduciary systems and safeguards; national banking institutions	Implementing & executing entities with fiduciary systems and safeguards; project-level multi-stakeholder mechanisms; climate-aware public financial management systems	Centralised unit to compile and quality control reporting; communications unit
Individual/skills level	Baseline assessments; I&FF assessments; expenditure reviews; costs-benefit analyses	Financial management (combining/ blending) skills; project/ programme formulation skills; expertise in private sector pricing incentives	Specialist technology skills (e.g. wind energy technologies installation); project management skills	Expenditure review methodologies; GHG inventory skills; independent verification skills

...are all suffering from similar challenges

- Limited „readiness“ (cf. UNDP 2012)
- Long-term preparation and implementation vs. desire for short-term achievements and donor funding cycles:

Climate-finance-typical cycles

- GEF Replenishment cycle: 4 years, 5 year implementation period
- NAMA Facility round: 1 year, 3 year implementation period

Vs national implementation:

- Implementation period of India Coal Bed Methane: ca. 1992 – 2010
- (Time horizon of German coalition treaty regarding renewables: 2013 – 2030 – 2050)

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- Limited „readiness“ (cf. UNDP 2012)
- Long-term preparation and implementation vs. desire for short-term achievements and donor funding cycles
- Lack of accepted project/programme/low carbon initiative models and best practices – every project is its own trailblazer.
 - **Replication and transfer of lessons learned**
 - **Through international organizations**
 - **Through multi-country programs**
 - **A few think tanks**

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- Limited „readiness“ (cf. UNDP 2012)
- Long-term preparation and implementation vs. desire for short-term achievements and donor funding cycles
- Lack of accepted project/programme/low carbon initiative models and best practices – every project is its own trailblazer.
- Who is the counterpart in the countries?
 - **UNFCCC, bilateral mechanisms: Ministries for the Environment**
 - **ODA, multilateral financial organisations: Ministries for Planning, Finance**

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- Limited „readiness“ (cf. UNDP 2012)
- Long-term preparation and implementation vs. desire for short-term achievements and donor funding cycles
- Lack of accepted project/programme/low carbon initiative models and best practices – every project is its own trailblazer.
- Who is the counterpart in the countries?
- Risk aversion and resistance to innovation in classical industries (infrastructure, construction, automotive, finance, consumer goods)

Other points to note

Financially relevant but non climate-finance „movements“:

- Portfolio Decarbonisation Coalition / Fossil Fuel Divestment Campaign
- Philanthropy: Breakthrough Energy Coalition, ClimateWorks Foundation
- Technology cost degression

The time dimension of investment:

- Stranded assets
- Most adaptation finance goes to climate-proofing infrastructure

How to mobilize climate change finance?

Some hypotheses:

- The absorptive capacity as well as the need is limited. The mechanisms through which the funds can be delivered are also limited.
- Scientific base for project selection is valuable. But results based project management, political support and the KAIROS might be even more important.
- Stakeholder inclusion and outreach is indispensable.
- Drawing on international experience and active learning is highly recommendable. More analysis of best practice is necessary.
- It all depends on individuals.
- Financial institutions tick very differently from ODA institutions, intergovernmental agencies and political decision makers.



**Thank you very much for your attention.
I look forward to your questions.**

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