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>
<thead>
<tr>
<th>Financial Planning</th>
<th>Accessing Finance</th>
<th>Delivering Finance</th>
<th>Monitor, Report &amp; Verify</th>
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</thead>
<tbody>
<tr>
<td>• Assess needs and priorities, and identify barriers to investment</td>
<td>• Directly access finance</td>
<td>• Implement and execute project, programme, sector-wide approaches</td>
<td>• Monitor, report, and verify flows</td>
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<td>• Identify policy-mix and sources of financing</td>
<td>• Blend and combine finance</td>
<td>• Build local supply of expertise and skills</td>
<td>• Performance-based payments</td>
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<td>• Formulate project, programme, sector-wide approaches to access finance</td>
<td>• Coordinate implementation</td>
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<td>Levels of national capacities</td>
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<td>Policy Level</td>
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### Table 1: The Components of Climate Finance Readiness and associated capacities required

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<td>Institutional Level</td>
<td>Effective national multi-stakeholder coordination mechanisms</td>
<td>Implementing entities with fiduciary systems and safeguards; national banking institutions</td>
<td>Implementing &amp; executing entities with fiduciary systems and safeguards; project-level multi-stakeholder mechanisms; climate-aware public financial management systems</td>
<td>Centralised unit to compile and quality control reporting; communications unit</td>
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<tr>
<td>Individual/skills level</td>
<td>Baseline assessments; I&amp;FF assessments; expenditure reviews; costs-benefit analyses</td>
<td>Financial management (combining/blend-ing) skills; project/programme formulation skills; expertise in private sector pricing incentives</td>
<td>Specialist technology skills (e.g. wind energy technologies installation); project management skills</td>
<td>Expenditure review methodologies; GHG inventory skills; independent verification skills</td>
</tr>
</tbody>
</table>

UNDP 2012
...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)
...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
- 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
...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
- 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
...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
- 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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