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Charting a trajectory for climate finance delivery at the national level

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The 2010 Cancun Agreements of the UNFCCC:

‘2 (d). Mobilization and provision of scaled-up, new, additional, adequate and predictable financial resources is necessary to address the adaptation and mitigation needs of developing countries.’

‘95. Takes note of the collective commitment by developed countries to provide new and additional resources, ..., approaching USD 30 billion for the period 2010–2012, with a balanced allocation between adaptation and mitigation.’

‘98. Recognizes that developed country Parties commit, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries’



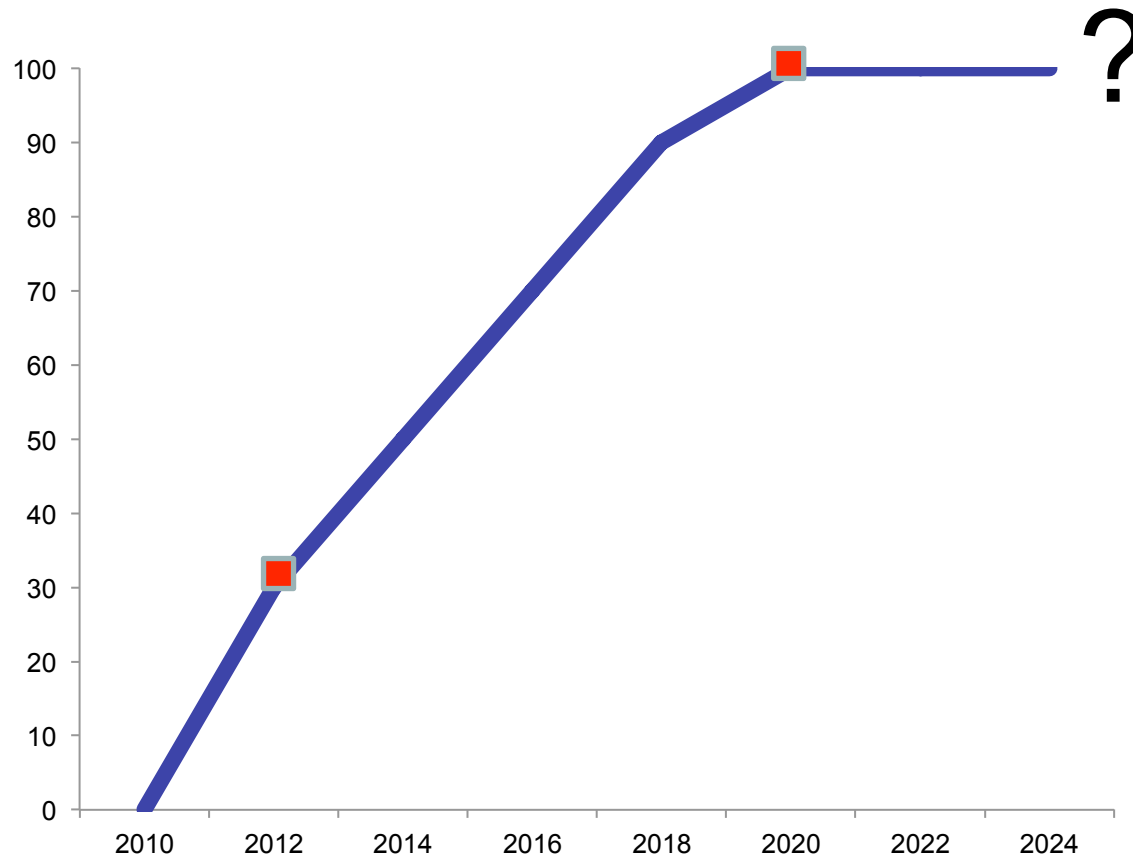
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Climate finance: an uncertain trajectory



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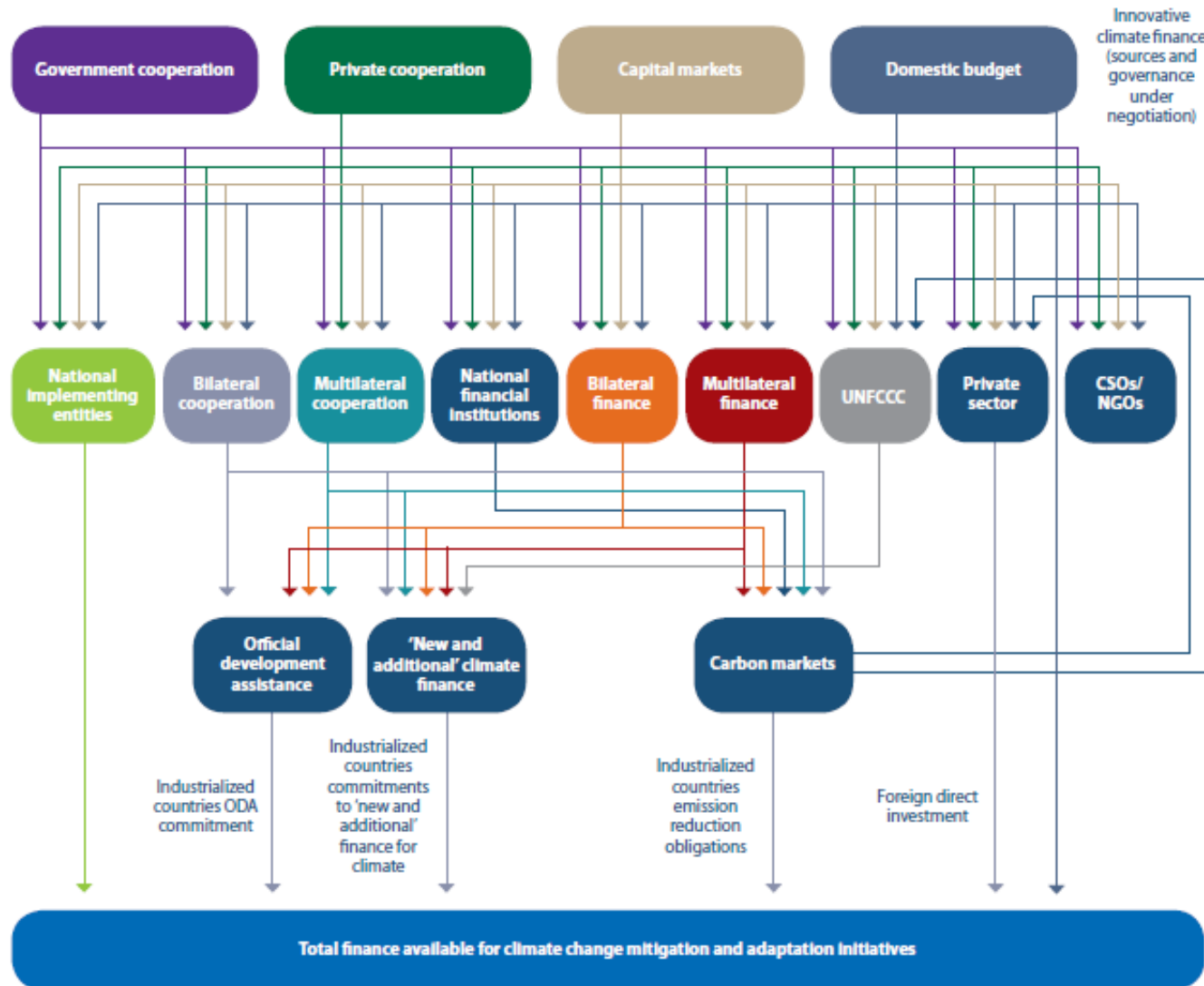
USD
billion/
year



Climate finance: complexity of sources, agents and channels



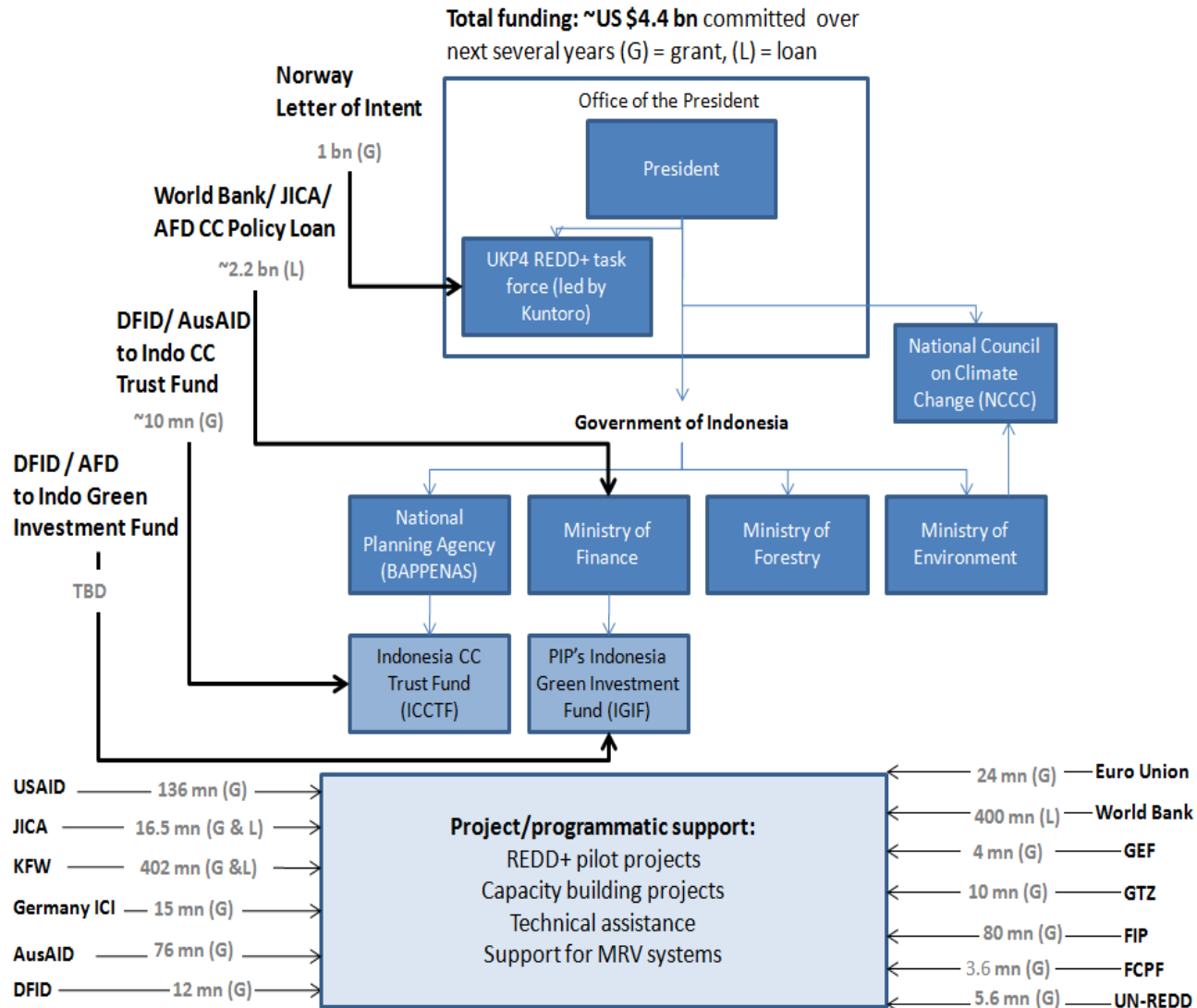
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Climate finance: complexity within country delivery - Indonesia



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What might be the elements of a national vision for climate finance?



A national vision for climate finance

1. The national budget incorporates all external (ODA and climate finance) and domestic revenues, and allocates public financing under strong policy direction
2. Quality assurance and oversight mechanisms for all CC programming established and implemented
3. An institutional architecture supporting CC programming integrated into appropriate sectors
4. An active private sector investing in climate resilient growth



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What would this mean by 2020
for developing countries?

By 2020



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1. Direct Access to international climate finance should have been established, with the appropriate institutional requirements in place that demonstrate the necessary financial integrity, institutional capacity, transparency and self-investigative powers.

By 2020



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2. Development partners should have been dissuaded from developing their own projects and programmes on climate change.
3. Governments should have prepared a pipeline of investment projects for international funding and encouraged pooled funding through joint funding arrangements.
4. Acknowledging the centrality of the national budget, all 'off-budget' external support for climate change activities involving government agencies should have ceased.

By 2020



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5. An internationally recognised performance-based system should be in place, with strong Monitoring, Reporting and Verification (MRV) for all climate finance investments.
6. Strong engagement of the private sector will have been secured to complement public funding with private investment.
7. A specific urban strategy to secure climate resilience among the growing urban population should have been developed.

By 2020



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8. The mandate of climate change public institutions should have been clarified with a clear separation according to function, recognising:
 - the policy formulation role (being Ministry-led)
 - the regulatory role (Department-led)
 - the service provision role (which will require determining the appropriate balance between public and private actors), and
 - the potential for national revenue collection (involving taxation policy).



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3. Possible immediate next steps – a country example from Nepal



Suggestions for possible next steps for Nepal

- There is need to move quickly from project delivery to a programmatic approach for public funding of climate change actions from international sources.
- Government and its development partners should consider drawing up a Joint Financing Arrangement (JFA) for climate finance.
- Under a JFA, all international climate funding would be transferred into a foreign currency account at the Central Bank for the exclusive use of national climate change actions.



Suggestions for possible next steps for Nepal

- This account would then be used to transfer funding into a new Budget Head within the Government's Estimates of Expenditure.
- This Budget Head would represent the Government's Climate Change Fund.
- Funding for individual projects/programmes could then be identified by sub-heads in cases where there was agreement over the further ear-marking of external funding.

Suggestions for possible next steps for Nepal



- The tracking of climate change public expenditure within the national budget should be explored with the Ministry of Finance, following the existing examples of gender and pro-poor budget tracking.
- The Ministry of Environment should create a public website to act as the national information hub on all climate change actions.
- The funding commitments for climate change actions undertaken within the country by NGOs should be reported upon and this information put into the public domain.



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Thank you

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