Catalyzing Climate Finance

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Overview of Presentation

• What needs to happen at the national level
• Global architecture on finance including climate finance
• Climate Finance Readiness and the NAP Process
Climate Finance Challenge at the NATIONAL LEVEL
Impacts of climate over development as usual

Additional financing

Five-year plan budget outlay is “business as usual” development
Mainstreaming
Climate into National/Sub-National Plans

NAP Process

National/Sub-National

Budgets

Internal/External

Finance

Public/Private
National Planning and Budgeting Cycle: Country X
Entry points and Tools for Addressing Climate Risk

National Plan and medium term budget or expenditure framework

Climate risk assessment/ Valuation of climate adaptation costs and benefits – long term – upto 20-30 years, broken into 5 year intervals. Priority sectors and programmes defined for 5 years.

Sectoral Plans

Annual sectoral budgets

Annual Implementation (Priority sectors for Climate Adaptation)

Annual sectoral budget requests to Treasury derived from valuation estimates broken down annually from 5 year estimate of additional adaptation programmes and already running programmes.

Treasury decides allocation to sector based on a judgment comparing level of climate risks across sectors, versus actual previous year allocations and expenditure trends in every sector.

Sector monitoring logs/reports include adaptation programmes. Existing mechanisms for data collection of administrative and household data include questions to test adaptation programmes efficacy - quantifying consumption, income, social and environmental benefits and costs

Annual Monitoring (Sectors)

Adjustments to sectoral plans and valuation estimates in adaptation priority sectors

Evaluation of economic and social benefits from additionality of adaptation – comparing geographical areas which had planned adaptation and those that did not have planned adaptation

Final Evaluation

Value added of adaptation programmes reviewed – economic, social and environmental benefits

Mid Term Review of National Plan/ Sectoral Plan Reviews

Plan adjustments/course correction for Implementation
Inclusive Planning and Budgeting for Low Emissions and Climate Resilience

- **Policy & Planning**
  - Budget requests from different ministries integrate climate change across their programmes and overall budget formulation explicitly includes climate change investment.

- **Budget**
  - Treasury utilises a budget marking system, developed with the budget department, to allow for climate expenditure to be tracked.

- **Reporting**
  - Budget expenditure reports include explicit reporting on climate expenditures and impacts and presented to parliament and fed into planning and budgeting process.

- **Accounting**
  - e.g. Line Ministries establish climate related Key Performance Indicators that enable them to account for the performance of climate expenditure.

- **Procurement**
  - Budget expenditure reports include explicit reporting on climate expenditures and impacts and presented to parliament and fed into planning and budgeting process.

- **Treasury**
  - e.g. Treasury utilises a budget marking system, developed with the budget department, to allow for climate expenditure to be tracked.

- **Auditing**
  - e.g. Line Ministries establish climate related Key Performance Indicators that enable them to account for the performance of climate expenditure.

Future National Planning and Budgeting Cycle

- **Civil Society**
  - e.g. Line Ministries establish climate related Key Performance Indicators that enable them to account for the performance of climate expenditure.

- **Private Sector**
  - e.g. Budget expenditure reports include explicit reporting on climate expenditures and impacts and presented to parliament and fed into planning and budgeting process.

- **Parliament**
  - e.g. Budget expenditure reports include explicit reporting on climate expenditures and impacts and presented to parliament and fed into planning and budgeting process.

- **Future National Planning and Budgeting Cycle**
  - e.g. Line Ministries establish climate related Key Performance Indicators that enable them to account for the performance of climate expenditure.
Climate Finance Challenge at the GLOBAL LEVEL
Financing Needs for Environment and Climate far exceed current levels of Official Development and Climate Finance
Global investment in clean energy

Source: Bloomberg New Energy Finance (2013)
North-South Flows 1990-2010

Total Flows

- Total Global ODA
- Foreign Direct Investment
- Private Philanthropic Flows
- Remittances

Source: Jenks and Jones, 2013
Climate Change Finance: Sources, Agents and Channels

Source: Adapted by Yannick Glemarec from Atteridge and others (2009)
The Evolving UNFCC Funds Architecture

Source: Simon Billet, UNDP, 2010
Other Financing Options

- Commercial loans
- Concessional loans
- Micro-finance
- Corporate Finance
- Project Finance
- Project/Climate Bond
- Leasing
- Cooperative Finance
- Household Finance
- Foundations
- Social Impact Investors
Climate Finance Readiness
And the NAP Process
What is “Climate Finance Readiness”

The capacities of countries to plan for, access, deliver and monitor & report on climate finance, both international & domestic, in ways that are catalytic & fully integrated with national development priorities & achievements of the MDGs
Supporting national systems to be “ready” for climate finance; helping countries to use finance effectively

Support for planning, accessing, delivering, and M&E ensures climate finance is available and effective in all countries
Planning, budgeting and finance is:

- Relevant for both national and sub-national level adaptation
- Effective for both contributors and recipients
- Coherence with national & sectoral plans/priorities on climate change adaptation and mitigation
- Innovative and transformative to new approaches to catalyze private investment
- Contribute to formulation/implementaiton of LECDRSDS

Building toward “readiness” requires long-term integrated planning inclusive of NAPs, NAMAs, LEDS, other policies and plans
Despite growing volume and variety of resources (international & domestic, public & private), **3 key challenges to climate finance readiness:**

1. **National capacities** are required to navigate complex landscape and allow countries to access, manage, deliver, track and report on different forms of finance

2. **Need to catalyze private finance:** public finance alone is insufficient to meet demands of climate challenge, must catalyze greater volumes of private finance

3. **Limited alignment between climate and development:** to drive economy-wide transformation, climate finance must be mainstreamed into business and usual planning and development policy
So, where are we heading?
Integrated Model ‘Blended Finance’

Domestic Sources

- Innovative Sources
- Other Sources

Collect

Account for

Blend Funding Sources

- National Budgets
- Other Sources: National Transition Fund

National Climate Fund

International Sources

- Multi/Bilaterals Sweden Cooperation
- Other Sources

Multi/Bilaterals Germany (ICI)

Vertical Funds: AF and LDCF

Capital Market

Private Sector

Source: UN-MPTF, 2014
NAPs - A Defining Framework for Medium and Long-Term Climate Change Challenge
Final Thoughts - Core Elements of Readiness

• Strengthen capacities of national institutions to directly & indirectly access variety of sources of public AND private finance for adaptation

• Build public & private capacity to develop bankable national programmes/projects based on national CC strategies, plans, policies

• Strengthen the enabling environment for climate finance to flow autonomously as well as for planned investments

• Establish national M&E systems to tag, track and measure effectiveness

• Share knowledge & lessons during implementation among countries and with fund governing bodies at national and international level to iteratively improve design & operationalization
NAPs and Climate Finance: System-wide, Iterative Approach Required

Planning
Budgeting
National
Finance
Sub-National
Public Finance
Cross-Sectoral
Private Finance
Sectoral
Civil Society
Parliamentarians
Political Economy Issues
Academia
Technical Experts
Governance
Many tools and support programmes available

UNDP supported Programmes relevant for Climate Finance Readiness

• Nationally owned Adaptation Projects (with financing from UNDP, LDCF/SCCF, Bilaterals)
• National Adaptation Plan Support Programme for LDCs (with Partners) (financed by LDCF)
• National Adaptation Plan Support Programme for LDCs (with Partners) (financed CCF)
• Capacity Building for Climate Change Negotiators (financed by LDCF)
• NIE Accreditation Support Programme  (AF Direct Access)
• GCF Readiness Programme (Germany - BMU/ICI)
• Climate Public Expenditures and Institutional Reviews (CPEIR) (SIDA, multiple partners)
• Economics of Adaptation (with GWP)
• Climate Finance Options  (with World Bank)
• Low Emission Capacity Building Programme (EC, Germany - BMU/ICI, Australia)
• National Communications Support Programme (GEF Trust Fund)