Enabling environments and policy frameworks for effective deployment of climate finance

Tiger Group
Facilitator: Pak Sum Low
Academy of Sciences, Malaysia

- About 30 participants from developed and developing countries
- Many participants shared their countries' experiences

Key Questions/Issues

- What are the commonly agreed enablers to deploy climate finance effectively at the country level, as well as at programme/project level? (Developed vs developing countries' perspectives; COP Guidance on "Effectiveness"?)
- What are the relevant lessons to be drawn from internationally agreed principles for aid effectiveness, as well as from Fast-Start Finance? (Developed vs developing countries' perspectives; differences in development aid and climate finance?)
- Efforts to enhance absorptive capacity in developing countries
- Transparency

Key issues discussed

- Both developed and developing countries need enabling environments and policy frameworks for deployment of climate finance (you cannot clap with one hand)
- Indeed, many developed and also developing countries already have such enabling environments and policy frameworks in place. They need to share such information.

On Effectiveness

Climate Finance

- Definition of climate finance - different interpretations from developed and developing countries – Convention has clear definition on “new, additional and predictable” resources that also links to transfer of technology.
- Indeed, predictability of climate finance is crucial for longer term planning, including capacity-building
- One participant commented that any use of climate finance on purpose other than those as provided in the Convention is tantamount to corruption.

On Effectiveness

- Developed countries have provided climate finance multilaterally (e.g., via GEF) or bilaterally to developing countries (bilateral supports always limited to selected developing countries) for both mitigation and adaptation (e.g., capacity-building and technical assistance by USAID – however, the impacts and effectiveness of these activities are difficult to measure).
- LTF resources are not for development but for addressing climate change (mitigation and adaptation), and thus GCF should not be a development fund.

On Effectiveness

- LTF must have milestones. Pledges of action (DC pledges) must be linked to pledges of support.
- Concerns on imbalance deployment of resources between mitigation and adaptation; countries with large and low emissions, recognizing that some activities have synergistic effects
- Need to assess factors that underpin the effectiveness of deployed climate finance, but these factors could vary from countries to countries due to different national circumstances

On Effectiveness

- Effectiveness is important — funders (e.g., Norway) has cancelled projects because of it)
- We need effectiveness at two levels: (i) policy and strategy ; and (ii) implementation
- Effectiveness needs to be measured against certain time-frame (e.g., Short-term vs long-term impacts? National/regional/global impacts? Full cost vs incremental cost?)
- Scenarios and programming are key to creating enabling environment (e.g., South Africa experience), and there is a need for country programmes (20-30 years)

On Effectiveness

- One participant indicated the need to link climate finance to the 2^{o}C temperature limitation goal (but we are on track to reach this goal or beyond given the current emission reduction commitments and other pledges)
- Climate finance will be more effective if fitting into larger sustainable development framework and plan within a country.
- Many developing countries have some enabling environments and policy frameworks in place (e.g., Green investment scheme in Malaysia)
- Is it possible to compare effectiveness? One million spent here is more effective than one million spent there?

On Effectiveness

- Terms of effectiveness need to be developed at country level because ultimately effectiveness will be determined at country level.
- Buy-in to effectiveness needs stakeholder engagement and participation.
- How to mainstream climate finance into national budget?
- Multiple donor processes do not align with national budget cycles in host countries
- Focal points are important -- Improve coordination between focal points of donor and host countries

On Effectiveness

Existing situation (implications for GCF?)

- Many developing countries highlighted that funding received is limited and inadequate for effectively addressing both mitigation and adaptation.
- Funding received remains at pilot level and lacks continuity, and hence it was unable to facilitate any "transformational" change (Related questions: How to effect "transformation" change – push and pull together? Who is transforming whom? Transformation of economy?)
- Some countries experienced that funding is not forthcoming after "needs assessment"

On Effectiveness

Existing situation (implications for GCF?)

- Difficulties in accessing existing climate finance remains an issue for some developing countries, especially those with low emissions, even though they have low carbon or carbon neutral strategies prepared. This dilemma will likely to remain the same even with the scaled-up climate finance
- High administrative cost of GEF Agencies (10% of project cost) for assisting developing countries in accessing GEF funding and implementing projects.
- As AF is linked to CDM. AF is facing crisis as CDM is facing crisis
- One country finds it difficult to use a MIE for accessing AF (why not use a NIE?).

On Effectiveness

Lessons from FSF projects

- The history of FSF traces back to Copenhagen Accord, which was not adopted by COP 15.
- Loans are not FSF because host countries need to pay back
- Why are there FSF projects on website that the Government of a country did not even know about?
- FSF Projects are still being implemented, and it may need a few more years to see the results. However, a review of the effectiveness of FSF is needed so that lessons can be learned for scale-up finance.

Absorptive Capacity

- Absorptive capacity in developing countries vary
- Capacity-building in institutions at national, provincial and local levels, not only on climate finance governance, but also on other aspects in order to enhance effectiveness (what have been undertaken?)

  A bottom up approach would help -- host countries should assess their own capacity first and decide which agency should be focal point for which area
- One participant commented that “it is not about absorptive capacity—it is about delivering money in ways where countries can absorb it”.

Transparency

- For both supply side and demand side
- Amount/Net amount of resources provided/received, and whether or not the amount/net amount provided/received has met the host countries' needs
- Support for MRV is needed
- Standard monitoring and evaluation procedures?
- The cost of transparency?

Thanks for your kind attention!