



**Shaping policy for development**

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# Designing public sector interventions to mobilize climate compatible investment

UNFCCC African Regional Workshop Lesotho

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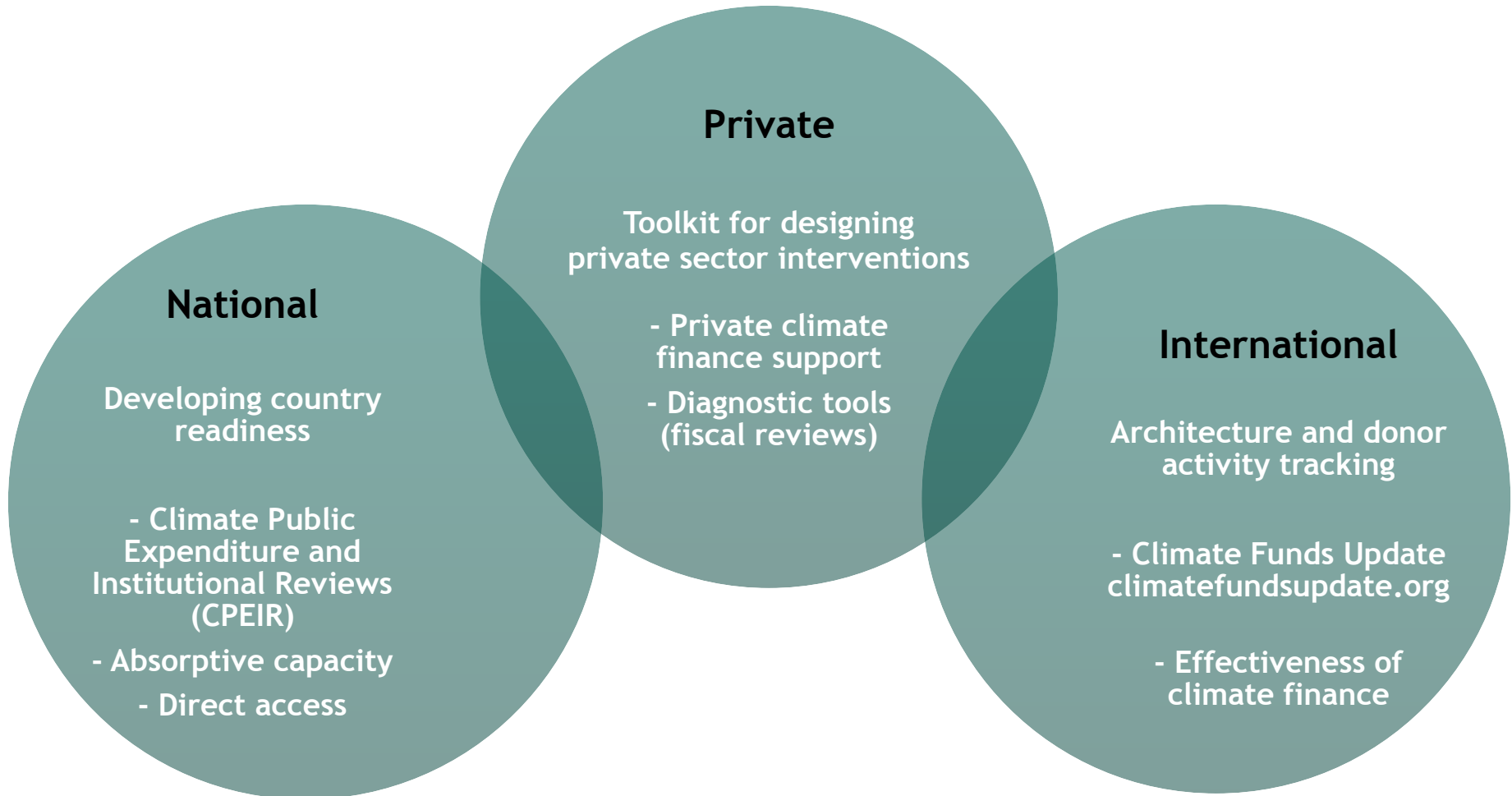
**Shelagh Whitley - Research Fellow**

**19 April 2013**



# ODI research on climate finance

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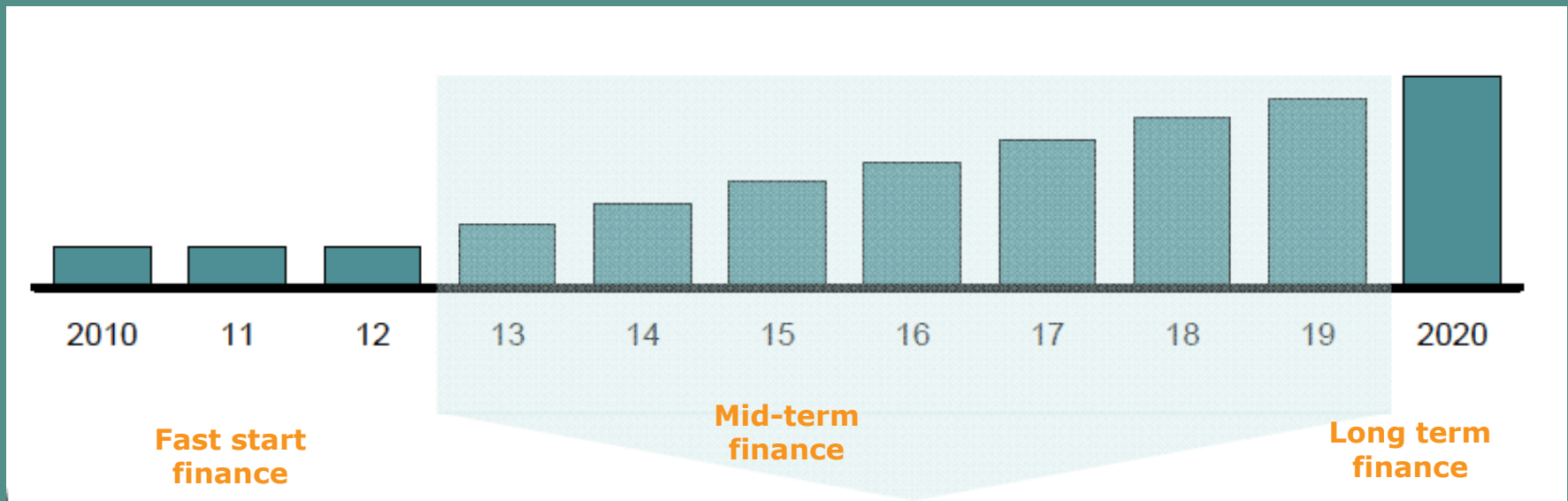


# CLIMATE FINANCE UNDER UNFCCC

\$30 billion

???

\$100 billion / year



## •Lessons?

- diversity of actors
- direct access (national ownership)
- 'readiness'
- project / programme pipelines
- establishment of Green Climate Fund
- mobilising private sector

**“The UNFCCC estimates that more than 85% of all finance to address climate change will need to come from the private sector”**

**“At least USD 97 billion per annum of climate finance is currently being provided to support low-carbon, climate-resilient development.”**

**“The amount of private finance is almost three times greater than public finance.”**

## ACTIVE

role in all of the sectors  
identified as critical to LCD

## DIVERSE

local and foreign-owned  
enterprises, large corporations,  
small and medium enterprises  
(SMEs), and microenterprises

Why private  
sector?

## EFFICIENT

high levels of managerial  
capability and operational  
power

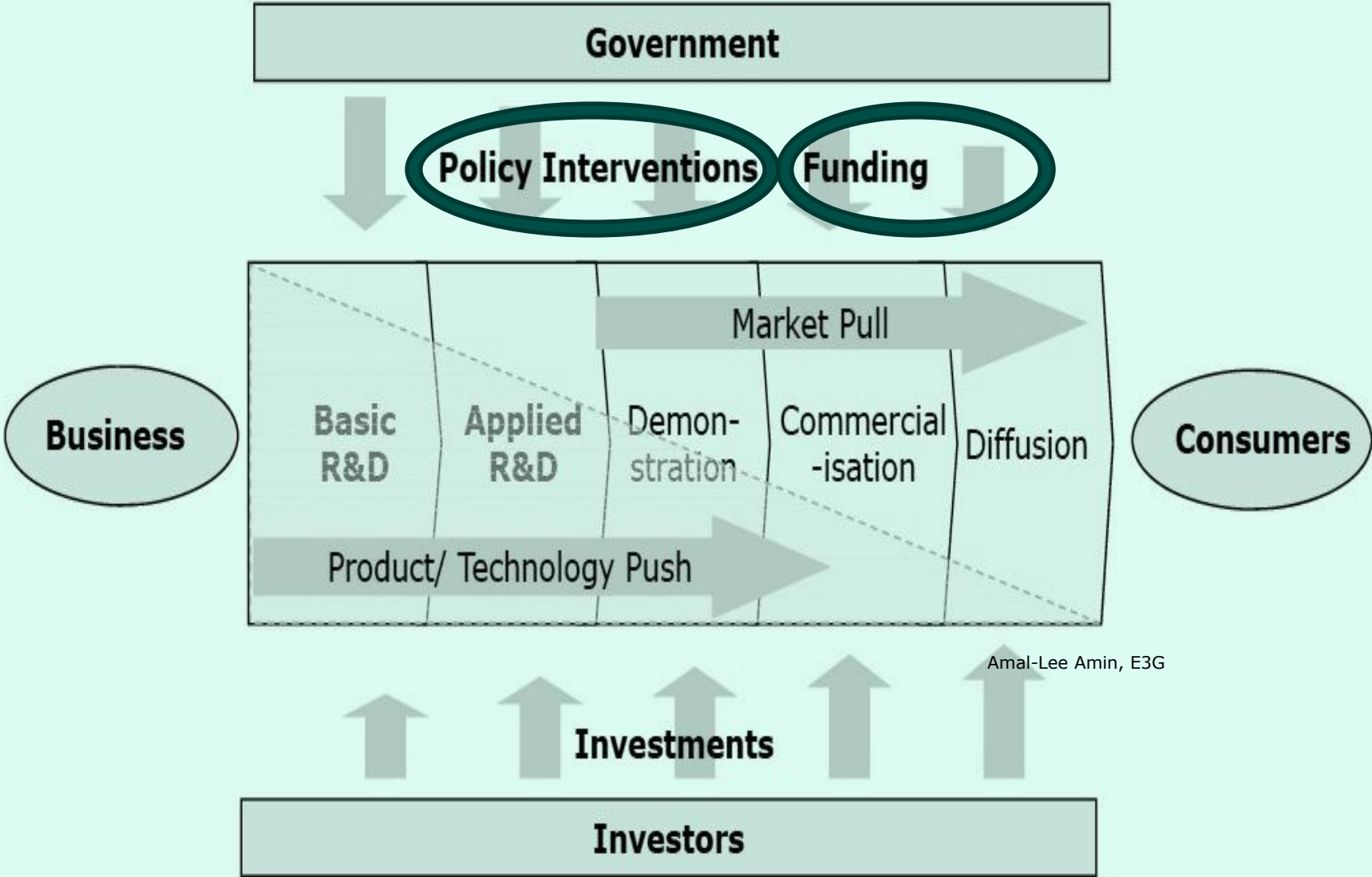
## CAPACITY

significant resources and  
capacity for investment



- Technology costs have become less of a barrier but the investment environment, political, regulatory and legal risk, remain a challenge in many countries
- Transformational changes will be needed:
  1. Align public policy, public finance, and private finance in all countries
  2. A specific role of climate finance to support developing countries
  3. 20 Question Toolkit





Amal-Lee Amin, E3G



## Private finance 2010-2012

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- Concentrated in bilateral / pluri-lateral activity, and private arms of development banks (IFC, EBRD, ADB)
- Minimal activity in dedicated multilateral climate funds (CTF, GEF, AF)
- Review of Japan, US, UK, and Germany (draft)
  - 77 interventions (between 2010 and Q3 2012) - case study examples
  - US \$8.5 billion (public and private flows)
- Public flows - \$7.6 billion
- Private flows - \$900 million
  
- Limited information on private flows (commercially confidential, proprietary, or new initiatives)
- Significant use of intermediaries (public and private)

Loan	Grant	Guarantee / Export credit / loan insurance	Equity
64%	17%	16%	4%

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# Figure 1: Private climate finance support

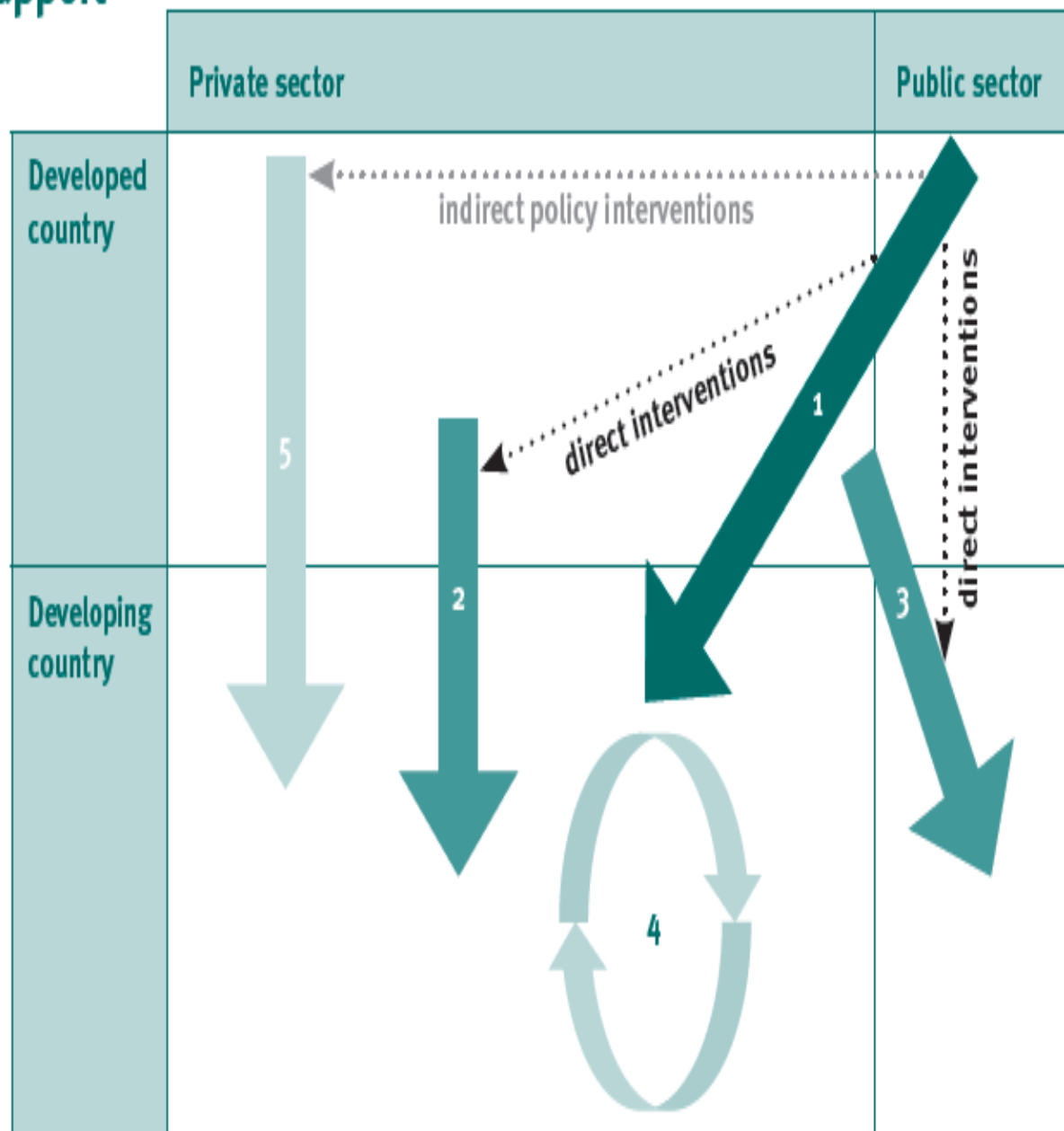
## Private climate finance support:

1. developed country public flows to the private sector in developing countries
2. developed country private flows to the private sector in developing countries mobilised as a result of developed country intervention
3. developed country private flows to the public sector in developing countries that are mobilised as a result of developed country intervention.

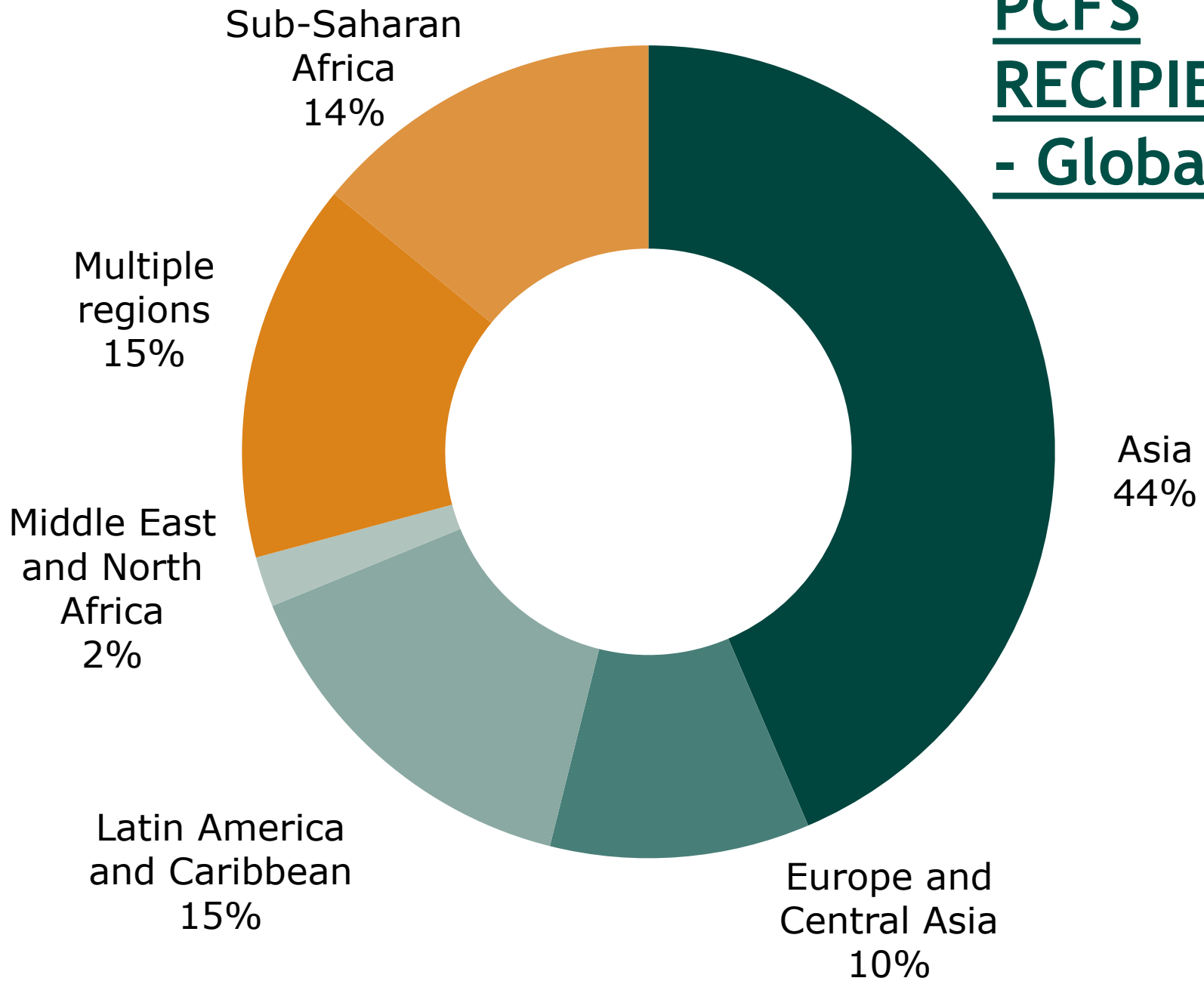
## Excluded:

4. developing country private flows mobilised as the result of developed country public sector intervention
5. developed country private sector flows to developing countries independent of direct developed country public sector intervention (including those that may be more indirect as a result of policy level interventions).

\*also excludes other public co-financing



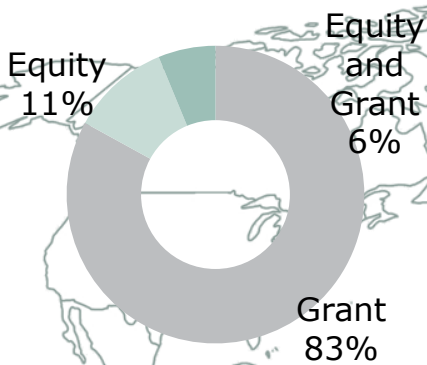
PCFS  
RECIPIENTS  
- Global



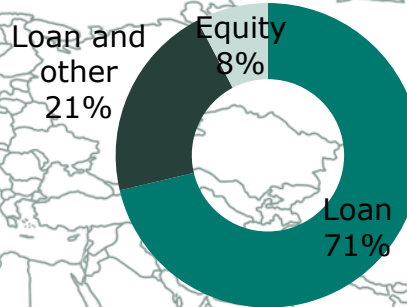


# Public Incentive Instrument by Region

## Multiple countries



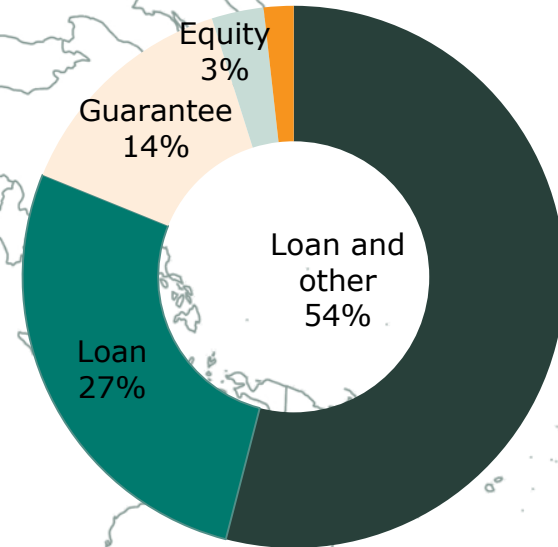
## Europe & Central Asia



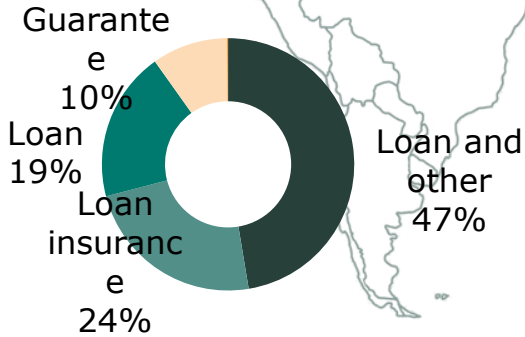
## Middle East & North Africa



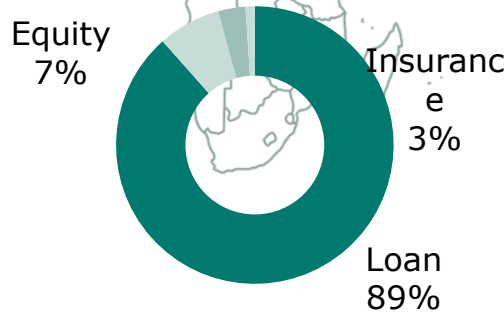
## Asia



## Latin America & Caribbean



## Sub Saharan Africa





# Climate finance by region - level of private sector mobilisation

<b>REGION</b>	<b>Sum of Flow 1 - public (million \$US)</b>	<b>Sum of Flow 2 and 3 – private (million \$US)</b>	<b>Sum of PCFS contribution (million \$US)</b>	<b>Percentage from developing country public sector</b>
Asia	2747	953	3700	74%
Multiple regions	1045	240	1285	81%
Latin America and Caribbean	1027	239	1266	81%
Sub-Saharan Africa	1135	59	1194	95%
Europe and Central Asia	712	175	877	81%
Middle East and North Africa	145	25	170	85%
<b>Total</b>	<b>6811</b>	<b>1,681</b>	<b>8492</b>	



# Designing public sector interventions to mobilise private participation in low carbon development

Broad questions to allow for tailoring to:

- Local context and market conditions
- Degree of private participation required / desired
  - Type of private sector actors targeted

## A. Baseline Assessment

1.  
Diagnostic

2.  
Stakeholder  
consultation

3.  
Private sector  
involvement

## B. Goal Setting

4.  
Co-benefits

5.  
Market  
transformation

6.  
Cost-benefit  
analysis

## C. Structuring

7.  
Balancing  
priorities

8.  
Additionality

9.  
Market  
distortions

10.  
Coordination

11.  
Predictability

12.  
Local private  
sector  
capacity

13.  
Failure

## D. Monitoring, Reporting and Communication

14.  
Monitoring

15.  
Communication

16.  
Auditing

## E. Continuous Improvement and Exit

17.  
Flexibility  
for  
correction

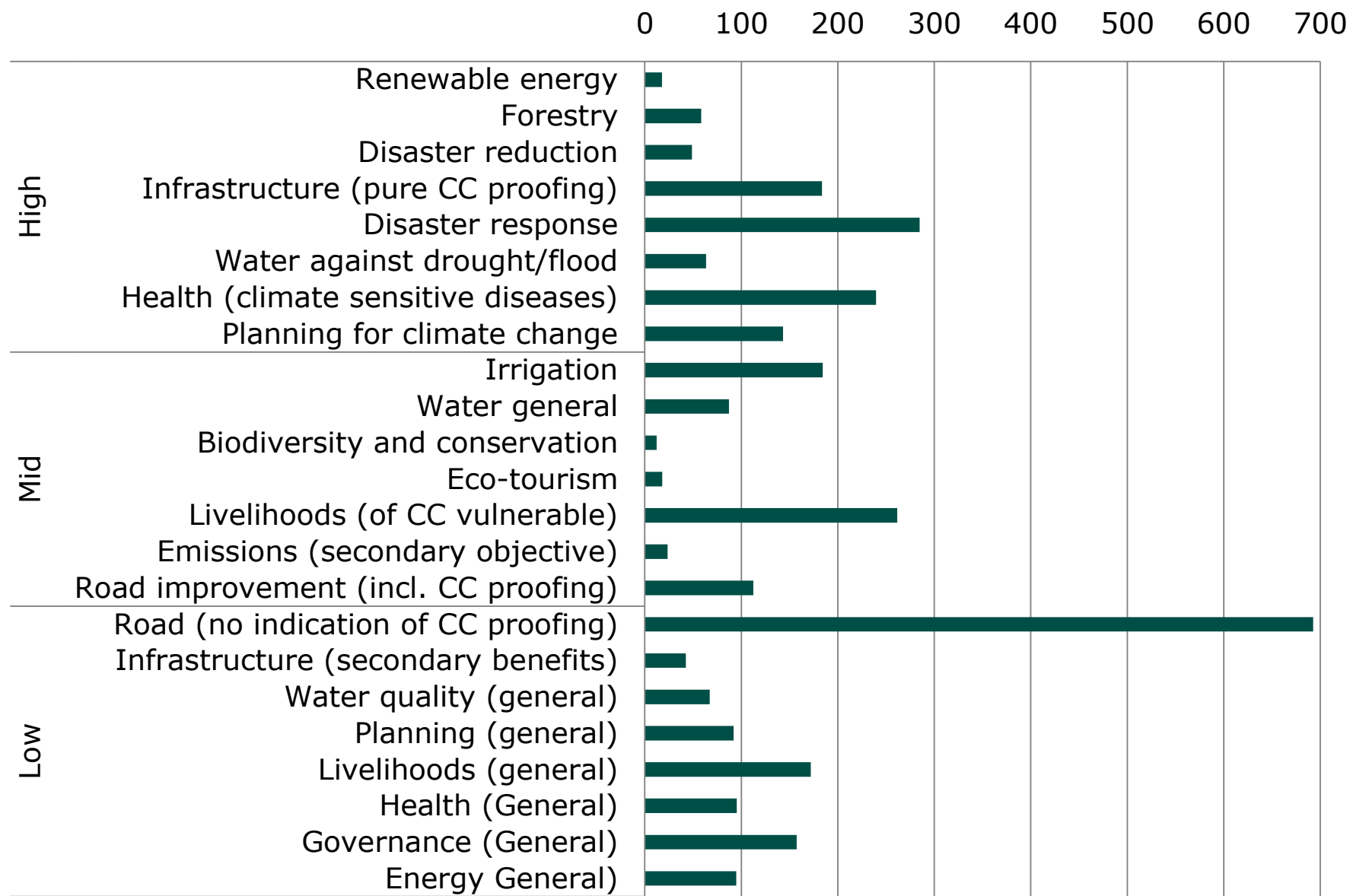
18.  
Continuous  
consultation

19.  
Milestones

20.  
Exit  
strategy



# Use of climate finance (domestic and international) in Nepal (in million NR)



# Tools used by the public sector to mobilize the private sector?

**Figure 2: Instruments of industrial policy**

**Regulatory instruments**  
(influence behaviour through legality)

Standards (for processes and products)  
Property rights / land rights  
Legally-binding targets  
Quotas  
Licences  
Planning laws  
Accounting systems (mandatory)  
Copyright and patent protection (intellectual property rights)  
Import / export restrictions  
Enforcement

**Economic instruments**  
(influence behaviour through price)

Access to resources  
Taxes  
Levies  
Royalties  
Tradable permits  
Direct spending / payments  
Lending and guarantees  
Insurance (including for bank deposits)  
Government ownership (Public Private Partnerships)  
Public procurement  
User fees / charges  
Price support or controls

**Information instruments**  
(influence behaviour through awareness)

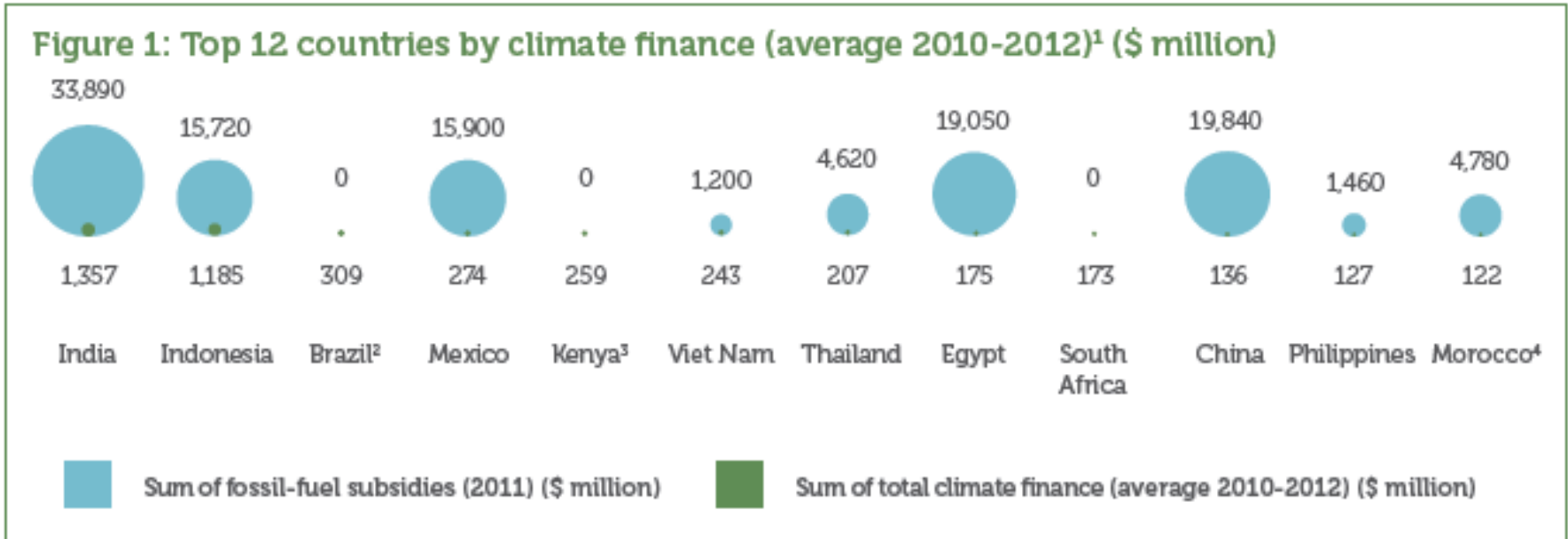
Research and development  
Information centres  
Statistical services  
Awareness campaigns  
Training / education  
Transparency initiatives  
Voluntary performance targets  
Certification / labelling (voluntary)  
Accounting systems (voluntary)

Degree of government intervention

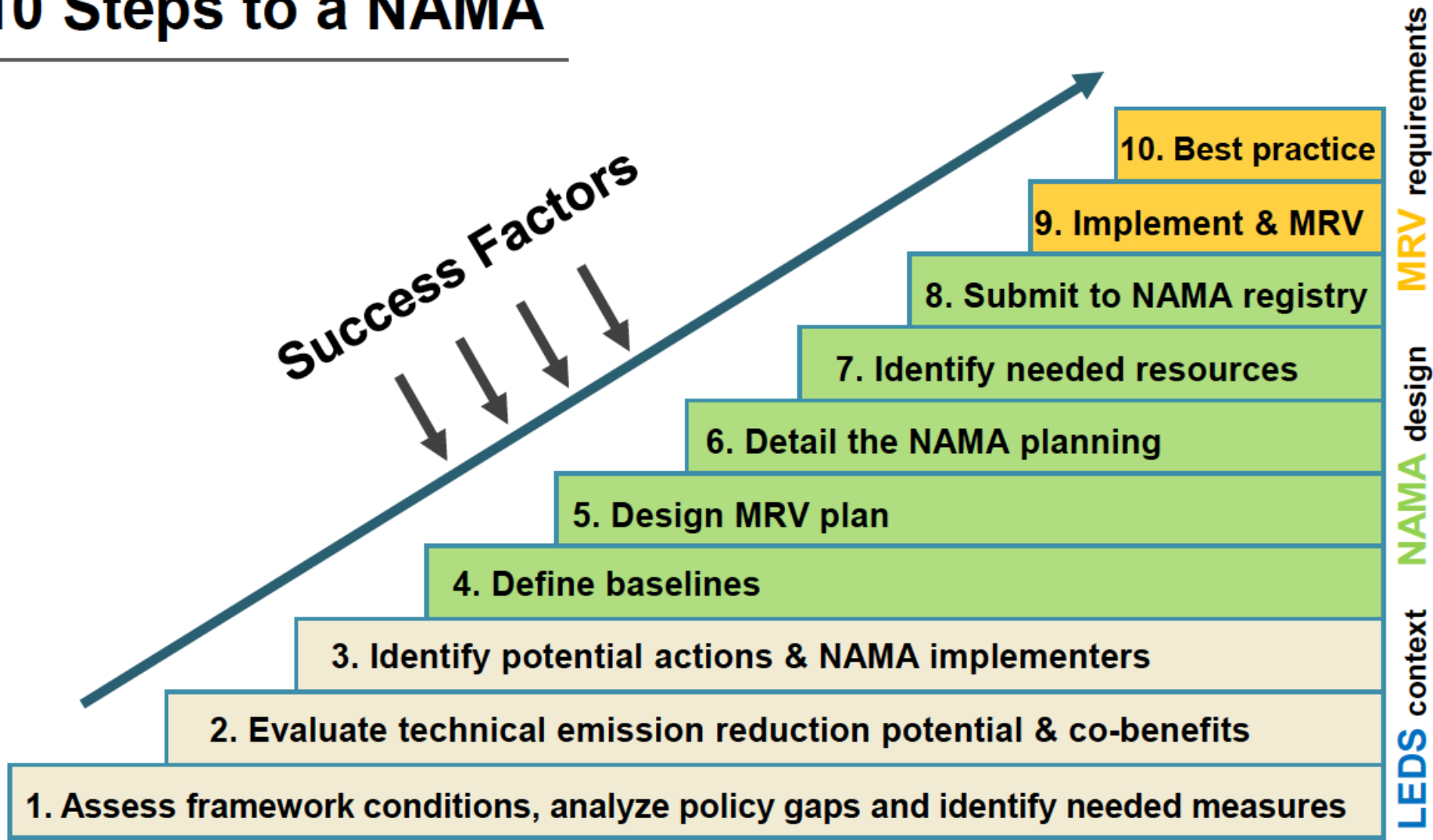


# Developing country subsidies dwarf climate finance

- For the **42 developing countries** where data is available, the volume FFS to consumers is **75 times** that of climate finance
  - US\$396 billion in FFS in 2011 vs.
  - US\$5 billion avg. annual CF (2010-2012)
- 5 countries appear in both 'top 12 lists' (India, Indonesia, China, Mexico, and Egypt)



# 10 Steps to a NAMA



# A. Baseline Assessment

**1. Diagnostic**

2. Stakeholder consultation

3. Private sector involvement

# B. Goal Setting

**4. Co-benefits**

5. Market transformation

6. Cost-benefit analysis

# C. Structuring

7. Balancing priorities

8. Additionality

9. Market distortions

10. Coordination

11. Predictability

12. Local private sector capacity

13. Failure

# D. Monitoring, Reporting and Communication

14. Monitoring

15. Communication

16. Auditing

# E. Continuous Improvement and Exit

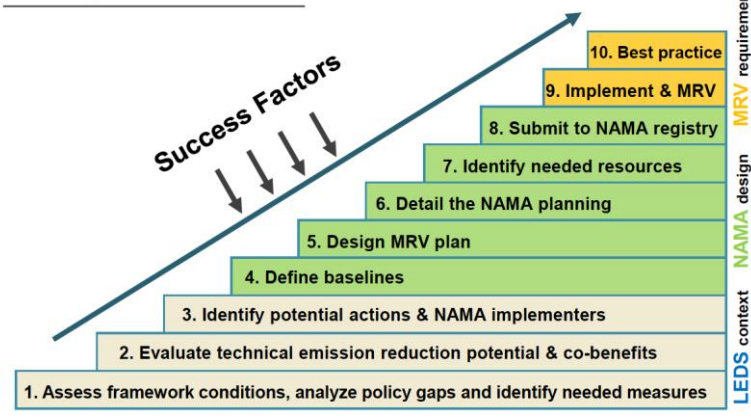
17. Flexibility for correction

18. Continuous consultation

19. Milestones

20. Exit strategy

10 Steps to a NAMA





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