



Filling the gaps & building up: Towards a more effective approach to articulating & translating & financing needs under the UNFCCC

Annual in-session workshop on Long Term Finance

Segment 1: Articulating and translating needs identified in country-driven process into projects and programmes

Part I: Scene-setting Presentation on current ways for articulating and assessing needs under the Convention

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Presentation Overview

1. Context & Background

- LTF Decision 2016
- The Convention
 - COP decisions/Paris Agreement

2. Experiences with instruments for articulating and translating needs under the Convention

3. Opportunities, Challenges and constraints with articulating, translating and assessing needs

4. Financing instruments & Channels to support the articulation and translation of needs

5. Challenges with assessing needs

6. The future Filling the gaps—the way forward

I. Context & Background

1. Context

the LTF decision 7/22 para 12:

- Decides that the in-session workshops on Long-term finance in 2017 and 2018 will, **with a view to scaling up climate finance for mitigation and adaptation**, focus on experiences and lessons learned from:
 - (a) Articulating and translating the needs identified in country-driven processes into projects and programmes;
 - (b) Roles of policies and enabling environments for mitigation and adaptation finance;
 - (c) Facilitating enhanced access;

2. Background

The Convention (Article 2, articles 4 & 11)

COP decisions: 3/CP.19, 4/CP.18, 1/CP.17 (126-132) and 1/CP.16 (2, 4 and 98-100)

Background contd.

The Paris Agreement

Articles 2 & 9 (article 9.5 emphasizes that: parties should support and take into account country-driven strategies, and the **'needs and priorities of developing countries parties'** ...

Long term Temperature goal: global average temp to well below 2°C, and efforts to limit the temp increase to 1.5°C, & the (I)NDCs

Finance: articles 2, 3, 4.5, 9 (particularly, 9.1, 9.3, & 9.4) & the Decision to giving effect to PA, paras 53 & 54 financial resource for A & M

- understanding the types of support countries need is critical for, addressing and strengthening commitments and scaling up
- Multi objectives: PA & SDGs...sustainable development

Articulating needs Bottom up country driven

- Needs Assessment: UNFCCC_NEEDS, TNA's, Others? National capacity self-assessments
- Reporting Instruments: Nat Coms, BUR...
- Commitment/voluntary Instruments: INDCs, NAMAs (LEDs), NAPs, NAPAS

Translating Needs

- Speaks to HOW? And ACCESS to Finance
- **However, they are expressed needs must be translated into concrete adaptation and mitigation policies, programmes, projects and investment plans.**
- Needs & priorities are articulated by policies and plans
- Challenges & constraints in articulating needs

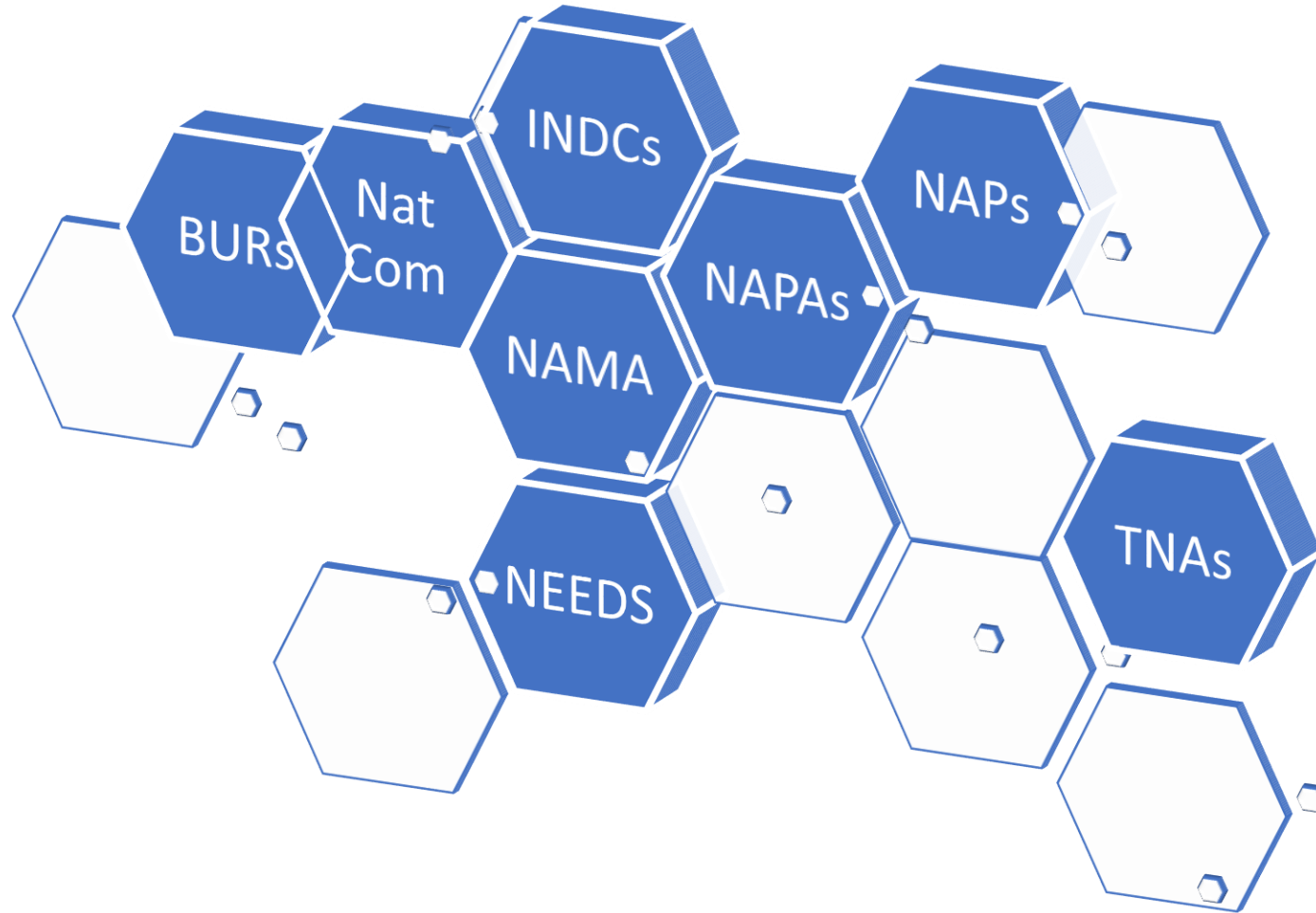
Assessing Needs

- Challenges & Constraints
- Tools/Methodologies
- MRV

Key messages

- Countries' National climate strategies and plans are the context for their needs now until post 2020. These continue to be the basis of the I/NDCs are clearly defined, nationally determined contributions and are 'country-driven process', taking into account the Paris goal.
- There is need for a process for translating I/NDCs and other national climate actions into concrete projects and programmes-- financial, technology and capacity building needs-- as a basis for scaling up resources.
- It is important (and there is a need) to clarify policies and enabling environment both for clarifying needs and articulating and translating those needs; facilitating enhanced access to resources. → Enhance and rapid project support and pipe-line development processes.
- Need for an elaborated Framework to support and enable better articulation and translation of needs. This could be the future direction of the LTF with the support of the SCF (on methodological & tracking issues). (It is within the scope of SCF's mandate.)
- SCF should also consider how Climate Finance flows under UNFCCC mechanisms take into account country driven strategies and the priorities and needs of developing country Parties.
- Importance for **Enhance** Direct Access modalities (now available in GCF and AF) (reduce transaction costs and ensure national priorities and objectives are followed also in LDCF and become further ingrained with real effectiveness for developing countries

Articulating Needs...What? How?



Articulating Needs... the BURs

- Justification for finance and needs in BURs
- 2/CP.17 annex III, para 14-16 –related to BUR on info on financial, tech and capacity building need and supported
- 2/CP .17 III, par 16 (Tech needs)
- Ghana's BUR 2015 is meticulously detailed in its reporting of support receive and support needed. Malaysia's in terms of articulating gaps, challenges and constraints, Chap.5

(Ghana: XIV. Financial Resource, Technology Transfer, CB of support received and needed p 46/59. It distinguished co-financing , own investment, domestic and external, monetized and non-monetized Capacity building.)

Articulating needs in Nat Coms/Burs

Examples expressed in Both NCs and BURs:

- Money and technology for preparation of national inventory
- Needs relate to assessment of vulnerability to climate change/ Measure contributing to addressing climate change
- Research and systematic observation/ Research Impacts, adaptive measures and response strategies
- Education, training and public awareness/ Development and use and dissemination of data/info
- Measures to facilitate Adaptation to the adverse impacts of climate change
- Assistance to sectors: agriculture, water resources, coastal zones management
- Promote RE and achieve EE, expands sink capacity; R&D into sustainable agriculture practices; forest fire management; strengthen national policies to manage solid and liquid waste and promote EE
- Measuring and facilitating adequate adaptation to the adverse impacts of climate change
- Assistance to establish and or upgrade stations for systemic observations of the climate systems and environmental monitoring systems
- Assistance in collecting data, developing modelling skills to use the potent effect for climate on agriculture, waters, coastal zones, fishers, human health and national system ...for vulnerability assessment

Articulating needs...the NAPAs

- Urgent and immediate priorities
- 39 NAPAs in 2008, ranked priority adaption activities (urgent and immediate needs of LDCs).

Action oriented, country owned, flexible based on national circumstance (NAPA project data base. list NAPA by country and sectors)

(urgent need to fill the funding gap of over US \$4 billion)

- A variety of challenges in translating needs & implementation

Articulating needs...NAMAs

- 1/CP.13 para 1b (ii) 2007
 - features: sectoral approach, policies and strategy, R&D, Pledge
 - Voluntary/ unilateral, support
- 107 NAMAs (23 feasibility studies) for 37 countries. 43% LA, 26% Africa and middle east, 18% Asia and 13% Europe
- 63% of NAMA is a strategy or policy
- Main sectors:
 - Energy 39%
 - Buildings 15%
 - Waste 14%
 - Transport 11%
- Some have national goals, some have lists of actions plans (i.e., LDCs)
- www.nama-database.org Oct. 214

Other ways to articulate needs...

- National (policy) review/Study i.e., Tuvalu (Master Plan for RE TMPREEEE)
- Mali (Natl. sustainable Development Plan)
- Sectoral: Nauru, Burundi , Burkina Faso
- Regional studies
- Pilots and demonstration projects

Articulating Needs...(I)NDCs

- INDCs articulate financial needs for the implementation of INDCs. Give details regarding climate actions and (some give) estimated costs of these actions; specify the need for external finance and technical support. However, INDCs are not sectoral or investment plans
- INDCs do not indicate actual financing needs but **quantify implementation** of INDCs. Countries may have domestic financing mobilization policy. For example, see India: INDCs is \$1040 billion but scaled up climate Action is at least US \$2.5 trillion.
- by July 2016 87% of countries' INDCs mentioned need for international support; and a significant number of these stated how much external financing they need for INDC Implementation
- Zhang 2016 –Review of 160 INDCs as June 31, 2016: 121 INDCs or 76% of submissions have finance components and expectations of financial contribution Top 3: Iran \$926 b, South Africa \$898b India \$1040 Bottom: 3 Nauru \$0.1 b STP \$0.1b and Grenada: \$0.2
- 48 LDCs INDC is approximately \$93 billion a year as determined by IIED (2015)
- Weischer et al 2016: 180 INDCS aggregate cost of implementation **\$4.484 trillion** or **\$349 billion** p.a.. 79% include conditional and unconditional elements ,1/5 only a conditional component. Types of conditionalities: provision of support (finance); CB, TT, Market mechanism, collective ambitions LDCS and SIDs (76 INDCs account for 90% of INDCs with Conditional component.)
- Analysis of financing components of INDCs: 1) ADB August 2016: 38 ADB members / 2) Zhang & Pen 2016: 64 countries/ 3) Center for Clean Air Program (Pitt et al 2016, Converting INDCs into Climate Action) & 4) Callaghan 2015, Climate finance afar COP 21.

Challenges in articulating needs

- Finance
- Technology
- Coherence policy
- Institutional framework
- Climate induced constraints
- Gaps: technical and capacity gaps
- Adapting to climate change while Protecting development gains (Malaysia's BUR 2015)
- Uncertainty
- Retention of institutional memory of technical capacity developed
- High cost of technology

Constraints in articulating needs...

- Co-financing & cost sharing,
- in-kind contribution
- timeliness of support
- Need for better quality of data
- Financial resources
- Technical expertise
- Improved methodology
- Institutional Development
- Finance, technology and Capacity building

Translating Needs

Translating needs identified in country-driven Processes into projects and programmes

Translating needs...INDCs?

- **‘May require high level of training on tracking sustainable development and co-benefits’**
- Multiple issues/ multiple requirements/overlapping time-frames of UNFCCC: NAMA (2012-2020), NAPs, NDCs (2020-2025 or 2020-2030), BURs etc.
- SDG strategy
- Carrying forward previous and new plans under (I)NDCs
- Creating synergy between (I)NDCs and national climate change and sustainable development plans
- Understanding and enhance implementation of (I) NDC (different pace and approach given underlying parameters: CDM, NAMA, NAPs etc.
- INDCs are broad targets for actions and elaboration needs to be converted into implementable policies measures and investment plan. Operationalize the targets into investment strategies and plans
- May involve issues of re prioritization and re-allocation of resources
- Identification of priority areas for implementation

Translating needs identified in country-driven Processes into projects and programmes: INDCs, NAMAs etc.

Challenges

- Data consistency and quality
- National circumstances & national priorities
- Identification of strategic priorities (national, sectors, SDGs, economy-wide etc.)
- Design of specific policies such as regulation
- Financing strategy: grants, concession and non concession—and target to funding source criteria (i.e., GCF)

Constraints

Key barriers and actions

Opportunities

GEF Country support Programme

CTCN: TNAs and TAP

GCF Readiness & PPF

Others...

- GCF readiness can facilitate conversion of INDCs etc. into financial plans.
- GCF country programme and pipeline development readiness capped at a \$1million, per country per year. (Plus \$3mil. For Adaptation planning.)
- Project Preparation Facility (will support 10% of total cost cap at \$1.5 million per project. But limited and too long a time for implementation

Assessing Needs

Translating needs identified in country-driven Processes into projects and programmes

Assessing Needs: INDCs (and NAPAs, NAPs, etc.)

I. Challenges with aggregating across INDCs etc.

Lack of comparability between identified needs

Limited transparency (vis a vis assumptions and methodology to estimate finance needs)

Varying time frames

Different currency

Limited information

Gaps and issues of consistency

- Different ways to express INDCs: time-frame, reference year, typology of Adaptation/Mitigation and across sectors and gases
- Conditional and unconditional elements

Assessing Needs

- **II. Assessment of financing needs of developing countries must take into account a priori a number of factors:**

- GHG reductions—possibilities and scope

- Costs/Budgetary constraints

- Co-benefits

- Political viability

- GCF and other funds criteria: Country ownership, readiness, efficiency and effectiveness

- Extent of existing climate policy institutional frameworks

- Including specific policies and programmes for implementing the INDCs, etc.

- National climate change policies

Note: CCAP reports that of 39 countries reviewed only about 9 had existing infrastructure, such as Cancun pledges, existing incentive for RE/EE. Land use policies. It also noted that 14 of the 39 countries were submitting their first comprehensive national policies (DRC) so for them this is a new effort.

The future...

- Need for policies, programme and financing strategy to operationalize implementation tools, including INDCs now until 2020
- Clarity and coherence on indicating financing needs
- Specific transparent assessment of financing needs
- Common understanding and definition of conditional and conditionality
- Guidance on how to formulate financing aspect in future INDCs etc.
- Need for comprehensive financing strategy for supporting needs articulation
- Imperative of scaling up post 2025 and challenges with the floor of \$100 billion per year...in the **context of meeting the needs and priorities of developing countries**

Assessing needs: tools & methodologies

For mitigation:

- GHG abatement cost curves
- Cost Benefit Analysis
- MESSAGE: Model for Energy supply Strategy and their general environmental impacts
- MARKAL: Market allocation model
- MADE II: Model for Analysis of Demand for Energy
- Country assessments based on pilot projects

For Adaptation

- Indicator method (to determine spatial change) and principal component analysis
- Vulnerability assessment
- Adaptation scenarios
- Review of secondary literature