HM TREASURY

Delivering Public Climate Finance - Challenges and Enablers

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UK International Climate Fund (ICF)

- £3.87bn (c.$6bn out to 2015
- Includes £969mn (c.$1.5bn) for 2015/2016
- Split between adaptation (c.50%); low carbon development (c.30%) and forests (c.20%)
- Jointly delivered by UK's:
  - Department for International Development (DFID) (c.60%)
  - Department for Energy and Climate Change (DECC) (c.35%)
  - Department for Food and Rural Affairs (DEFRA) (c. 5%)
- All counted as Overseas Development Aid – making up c. 8% of UK ODA
- Annual size of ICF has increased steadily:

	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**
£Mil (nom)	425	670	875	930	969

Scaling up Public Finance towards 2020

- Public Finance has a clear and key role to play through to 2020
- But challenges exist to scaling up:
  - “Developed” countries budgets under significant pressure in an increasingly resource constrained world
  - Challenges to providing longer term certainty of public finance provisions
  - Need for Value for Money assurances
  - Absence of “Fair Burden Share”
  - Need for effective Enabling Environments

Providing Long Term Certainty

- UK's Spending Round in June 2013 set out Departmental spending plans for 2015/16. Followed Spending Review in October 2010 that set spending plans out to 2014/15.
- Facilitated by centralised system of Government and strong commitment to deficit reduction
- Multi annual spending envelopes improves efficiency, facilitates reform & supports credibility of fiscal plans
- But challenges around foresight and flexibility
- Possible to give even longer term certainty on individual capital projects (e.g. Spending Round 2013 set out plans to 2020) – but to do so requires certainty on VFM and clear commensurate increased benefits
- Also possible for Spending Departments and Centre to make some in-year adjustments

VFM for Public Finance Expenditure

- Public Climate Finance not a “special case” – subject to same rules and approaches governing other Government expenditure
- Projects will be considered on a VFM basis
- Need to be able to demonstrate
    - A case for public expenditure – i.e. Market failure
    - Effectiveness – currently our bilateral funding initiatives architecture includes KPIs and Results Frameworks
    - Efficiency – not crowding out other spend
- Contribution towards 2 Degree goal - Ensure that our finance commitments are ‘in the context of meaningful mitigation’ and therefore parallel to the ‘own action’ offered by developing countries.
- Need Developing Countries to be bringing forward a “VFM Project Pipeline” of plans, programmes and projects.

Enabling Environments

- Own experience of inward investment into the UK, plus outputs of the UK's Capital Markets Climate Initiative (CMCI) – number of principles:

1. An early and ongoing managed **dialogue** with the private sector (local and international, institutional investors)should be set up
2. A clear, long term and coherent **policy and regulatory framework** should be implemented
3. **Price signals** in the market should support the deployment of low carbon alternatives ensuring that any social costs associated with a transition are well managed.
4. **Underpinning economic drivers** should be realigned to support sustainable growth.
5. **National governments should have active programmes** of public (climate) finance to support, underpin and develop investment grade projects that mobilise private capital.

UK’s ICF Spending Focused on:

- Delivering **Transformational Change**
- Priorities are to:
  - Demonstrate that building low carbon, climate resilient growth at scale is feasible – i.e. *Nationally Appropriate Mitigation Actions (NAMA) Facility*
  - Help poor developing countries adapt to climate change -– i.e. *The Adaption Smallholder Agriculture Programme (ASAP)*
  - Drive innovation and new ideas for action and create new partnerships with the private sector to support low carbon, climate resiliant, growth – i.e. *Climate Public Private Partnership (CP3)*