

Reflections on EU capacity building support to the first round of (I)NDCs:

What lessons are most relevant for the next NDC round?

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Lessons from the ICF portfolio...

- Success of programmes depends on local buy-in.
- Technical assistance is crucial for longer term sustainable development.
- Strong programme and portfolio management is required in light of strong domestic scrutiny.
- Need to ensure value for money and avoid over-subsidy or crowding out the private sector.
- If we can demonstrate the commercial viability, the private sector can fund it eg the Global Climate Partnership Fund.
- It takes a long time for new infrastructure projects to deliver results.
- There is still a lack of investment-ready projects at scale takes time, capacity and the right enabling environment to build a pipeline.



Climate change is a global challenge that affects us all

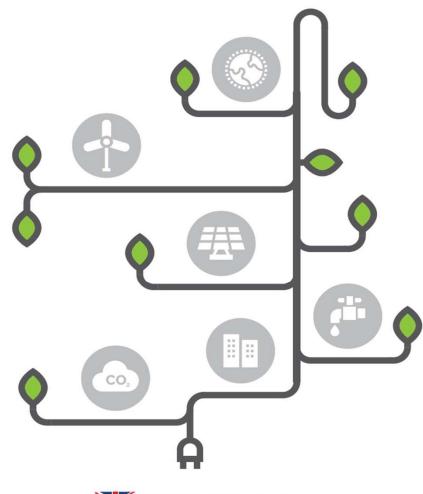
No country is projected to be spared from the impacts of global temperature increases.

We are already **facing serious challenges** to the natural environment, to food production and to water resources.

Without concerted global action to limit and manage the impact of climate change, we could reverse the huge gains in global poverty reduction which the UK has helped achieve over the last few decades.

UK International Climate Finance plays a crucial role in addressing this global challenge

Alongside other developed countries, the UK is committed to jointly mobilising \$100bn per year in climate finance to developing countries from public and private sources from 2020-2025.



UK Government

As part of this commitment, we are providing at least £5.8bn of ICF between 2016-20, aiming for an even split between mitigation and adaptation

This places us amongst the world's leading providers of climate finance.

We have committed \$5bn with Germany and Norway for countries, communities and companies who bring forward ambitious projects to halt deforestation

Domestically and internationally, the UK is a leader on climate change

We have decarbonised quicker than any other country in the G20, drawing on the depth and breadth of UK low carbon knowledge and expertise.

We were the first country in the world to introduce legally binding emission reduction targets when we passed the ground-breaking **2008 Climate Change Act.**



Since 1990 the UK has grown its economy by over 70% while reducing emissions by over 40%.

INDUSTRIAL

STRATEGY

The inaugural **Green Great Britain Week** in October 2018 brought
together financial institutions,
businesses, academics, communities
and the third sector to celebrate
this leadership and promote the
opportunities of clean growth.

We have also ended UK support for unabated coal power generation

As a founding member of the Powering Past Coal Coalition, we are helping others to do the same.

This includes £20m of new funding to help countries transition away from unabated coal.



PPCA now has **over 70 members** globally, including 28 national governments - all committed to **moving away from coal** towards cleaner power sources.



UK Clean Growth Leadership

By placing clean growth at the heart of the UK's **Industrial Strategy**, we are increasing productivity, creating high value jobs and protecting the environment.

We have world-leading capabilities in areas including electric vehicle manufacture, smart energy systems, sustainable construction, precision agriculture and green finance – not to mention our climate policy and regulatory expertise. Also, the UK is home to the world's largest offshore wind market, accounting for over 36% of global capacity. This makes us ideally placed to export our technical and manufacturing expertise to support clean growth worldwide.

UK International Climate Finance is utilising this leadership to help drive the global shift to clean growth – one of the greatest industrial opportunities of our time.



So what does UK International Climate Finance do?







01.

Builds the resilience of the poorest people and communities and supports countries to prepare for and adapt to climate change. 02.

Works to ensure that the vast expansion in **infrastructure** in developing countries is **low** carbon and climate resilient.

03.

Supports work to **halt deforestation** and create profitable, sustainable supply chains.

UK International Climate Finance is making a real difference





17 million
People provided with improved access to clean energy



10.4 million
Avoided or reduced tonnes of GHG emissions



47 millionPeople supported to cope with climate change



£3.3 billion
Public finance
mobilised for
climate change



£910 million
Private finance
mobilised for
climate change

UK International Climate Finance & the Multilateral Climate Funds and Agencies







The UK is a Board Member and major contributor to all of the **major multilateral climate funds.** These funds, which play a cornerstone role in global climate finance, have well developed pipelines, can deliver at scale and are delivering results.











We are also proud to be one of the largest contributors to multilateral development banks (MDBs) and the largest contributor to IDA. MDBs have collectively committed almost \$200bn in climate finance over the last seven years, with 2017 seeing a 28% increase (to \$35bn) in collective MDB finance provision compared to 2016.





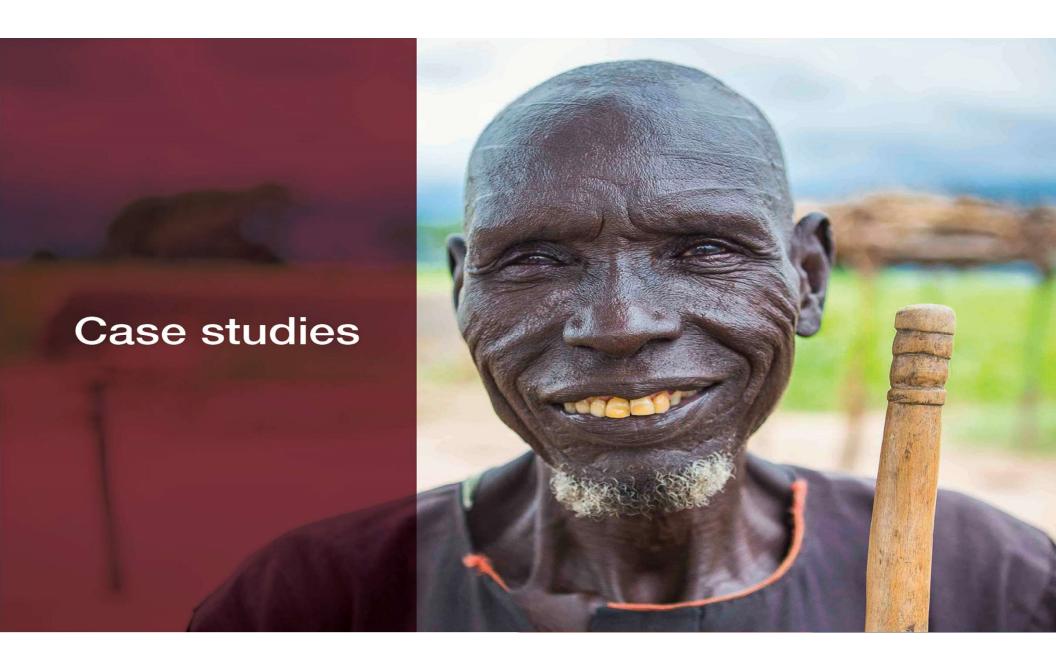


UK support for the Multilateral Climate Funds

The UK is a founding member of the Climate Investment Funds (CIFs) and is the largest contributor, investing almost \$3bn. Since 2008, the CIFs have disbursed over \$8bn to projects that reduce emissions, support clean growth, build climate resilience and protect forests across more than 70 developing countries.

The UK has also contributed £720m to the Green Climate Fund (GCF) Initial Resource Mobilisation Period. Since 2015, the GCF has become the key multilateral fund for implementing the Paris Agreement, programming \$4.6bn across 93 projects and leveraging over \$16bn in co-financing.

Finally, we are also one of the leading contributors to the Global Environment Facility (GEF), having committed £250m for the 2018-2022 period. The GEF has supported over 1,000 climate mitigation projects and contributed to almost 3 billion tonnes of GHG emission reductions.



The following case studies provide examples of how UK funding is supporting developing countries to respond to the challenges and opportunities of climate change in each of these areas

- 01. Adaptation & Resilience
- **02.** Accelerating Decarbonisation
- 03. Making Markets Work
- **04.** Forests
- **05.** Carbon Markets
- **06.** Capacity Building

01. Adaptation and Resilience

The need to reduce emissions is widely accepted across the world. **But the climate is already changing**, with many millions of people facing food and water shortages and greater risks to health and life as a result of climate change. Smallholder farmers, for example, are on the front-line of these changes, inhabiting some of the most vulnerable landscapes and relying on climate-sensitive natural resources to make a living.

Recognising that some climate impacts are unavoidable and that adaptation is comparatively under-funded, the UK aims for an even balance between our adaptation and mitigation funding. We spent 51% of our climate finance (£533m) on adaptation in 2016, 50% (£450m) in 2017 and have provided over £1.8 billion in adaptation finance since 2013.

We look forward to building on this strong track record as we lead the Climate Resilience theme at the UN Secretary General's 2019 Climate Summit. We will be using this opportunity to drive a transformation in the way climate change risk and adaptation is addressed globally.

Case Studies



Adaptation to Climate Extremes and Disasters (BRACED) is a UK £140m programme builds the climate resilience of vulnerable communities across Africa and Asia. Projects range from helping traditional livestock herders mitigate the impact of drought through to helping farmers develop 'climate smart' agricultural production techniques. The programme has already helped over 5 million people.



The Adaptation for Smallholder Agriculture Programme (UK £150m) helps smallholder farmers increase yields, improves access to commercial supply chains and increases their incomes and food security. ASAP will help 6 million vulnerable smallholders across 41 countries cope with the impacts of climate change.



The UK is one of the principal funders of AgDevCo (UK £59m), which provides technical assistance to build profitable businesses that contribute to food security, drive economic growth and create jobs and income in rural areas. It currently operates in Sierra, Leone, Ghana, Rwanda, Malawi, Mozambique, Tanzania, Uganda, Zambia.

02. Accelerating Decarbonisation

The Intergovernmental Panel on Climate Change (IPCC) has made clear that **urgent, transformative change is needed** in how we produce and use energy, build our cities and homes and transport people and goods. Limiting global warming to 1.5C will require annual global emissions to fall by 50% by 2030. Over the same time frame the global economy is expected to double, with \$90 trillion being invested in infrastructure.

We are using our UK International Climate Finance to help **push these investment decisions towards low-carbon, climate resilient and inclusive growth**, and away from unsustainable, carbon-intensive growth.

Our targeted finance is helping developing countries leapfrog dirty growth paths by:

- demonstrating and deploying technologies, policies and approaches that are critical for a well below 2 degree trajectory
- driving decarbonisation at scale through the international development system, including by supporting
 the development banks to scale up their climate investments
- building capacity in countries to implement and strengthen their Nationally Determined Contributions (NDCs), working to overcome regulatory and institutional barriers and sharing UK skills and expertise.

Case Studies



The NAMA Facility (UK £140m) is a programme supporting ambitious and innovative projects that tackle specific local challenges for cutting emissions. NAMA targets sectors with strong potential for being scaled up, replicated and able to influence wider sectoral changes.



Market Accelerator for Green Construction is a £106m UK capital investment, technical assistance and research programme to drive the financing and construction of more energy efficient buildings.



Climate Leadership in Cities (UK £27.5m) is a technical assistance and advocacy programme, helping 15 mega cities in Asia and South America to develop ambitious climate action plans consistent with the Paris Agreement.



Carbon Capture, Usage and Storage (CCUS) is supported by £70m of UK technical assistance technical assistance to develop both the technical and institutional knowledge necessary to enable the deployment of CCUS technologies. This includes funding for CCUS Centres of Excellence, capacity building workshops and feasibility studies.

03. Making Markets Work

'Making Markets Work' is a key focus of UK International Climate Finance. We want to **reduce costs and risk perceptions of low-carbon investments** by providing concessional or market-rate finance to help projects reach financial close and demonstrate profitability.

Our targeted support helps overcome market barriers by strengthening local financial institutions and broadening the range of financial instruments available in developing country markets.

We also seek to 'green' global capital markets by working through the G20 and other international fora to assist the financial sector in assessing climate opportunity and risk and shift financial incentives in favour of low-carbon.

Recognising that Paris Agreement targets cannot be met by governments and public money alone, our goal is to enable 'clean and green' private investments at the scale and pace required to address climate change.

Case Studies



The Sustainable
Infrastructure Programme
(Latin America) is a
£177m UK technical
assistance and capital
investment programme
to support partner
countries accelerate
the implementation
of their Nationally
Determined Contributions
by mobilizing private
sector investments into
sustainable infrastructure.



The Renewable Energy
Performance Platform
(REPP) is a £148m UK
programme that REPP
mobilises private sector
investment in small scale
renewable energy projects
in sub-Saharan Africa,
including solar PV and
wind turbines, electricity
access programmes
and local mini-grids.



The Global Climate
Partnership Fund
(UK £55m) finances
energy efficiency and
renewable energy projects
for households and small
and medium enterprises
in over 20 countries,
including India,
Kenya, South Africa.



The Global Innovation
Lab (UK >£2m) is a board
of experts who scrutinise
innovative climate finance
projects and help
develop them by attracting
private sector investment.
The project has catalysed
over \$1.2bn for
Lab-endorsed proposals
over the past 4 years.

04. Forests

Agriculture, forestry and land-use change are responsible for roughly a quarter of global anthropogenic greenhouse gas emissions every year. Protecting forests doesn't just make sense from a climate perspective – it also helps deliver important ecosystem services such as pollution control, watershed and soil protection, nutrient cycling and climate regulation. Forests are fundamental for global agricultural production and food security.

Forest clearance to cultivate commodities such as palm oil, soy, beef, pulp and paper is the largest driver of deforestation. Meeting global climate and sustainable development goals alongside food security needs will require a **new land-use paradigm** that increases agricultural productivity whilst protecting forests.

That is why the UK is working with ambitious forest governments and private sector stakeholders to address market and governance failures linked to deforestation.

Our International Climate Finance focuses on enhancing capacity and providing incentives to reduce emissions from deforestation. We use a results-based finance approach to crowd in sustainable investments in forests and land use, and to address key drivers of deforestation by supporting the shift to zero-deforestation supply chains for key commodities.

Case Studies







SilvoPastoral Systems (SPS) integrates cattle raising and agroforestry systems across 4,000 farms in Colombia. This £15m UK program has restored 28,000 hectares of degraded land by providing technical assistance for farmers. Participating farmers have

- Reduced cattle raising costs while increasing meat & milk production by 17%
- Significantly reduced soil erosion on their farms
- Increased biodiversity and protected standing forests
- Sequestered carbon at a rate of \$6-7 of UK support per tonne CO2e

The £75m Partnerships for Forests (P4F) UK programme catalyses innovative low-carbon farming and forestry practices in SE Asia, Africa and Latin America.

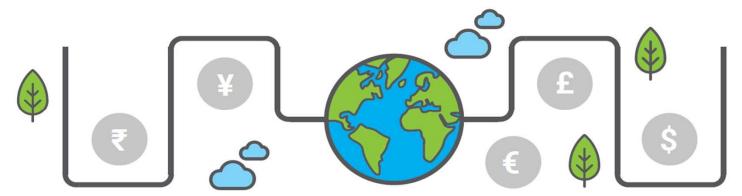
One project is helping indigenous communities in the Brazilian Amazon collect Brazil nuts from wild trees and grow their market by cutting out the middle man to sell directly to international buyers.

05. Carbon Markets

Carbon pricing provides a cost effective and technology-neutral way of reducing emissions by raising the costs of high carbon activities, thereby **incentivising emission reductions and investment in clean growth.**

The UK has a strong track record on carbon pricing. We introduced the Carbon Price Support rate in 2013 to top up the EU Emissions Trading System, providing certainty and stability for low-carbon investment.

And we have used our International Climate Finance to test and develop market based approaches internationally, investing **over £110m** across three funds that support carbon pricing and decarbonisation through market mechanisms in developing countries.



Case Studies



Transformative Carbon Asset Facility (UK £60m) delivers results-based payments for emissions reductions that go beyond the host country's NDCs and informs the development of international carbon markets.



Carbon Initiative for Development (UK £50m) demonstrates how low-carbon development projects in least-developed African nations (delivered through the Clean Development Mechanism) can deliver both development benefits and emissions reductions.



Partnership for Market
Readiness (UK £7m) supports the
establishment of carbon markets,
carbon taxes, crediting and offset
mechanisms, as well as facilitating
knowledge exchange across
borders.

06. Capacity Building

The UK understands the importance of capacity building. Listening to developing countries, we have worked to ensure a greater focus on technical assistance across the ICF portfolio.

Following extensive research on best practice and feedback from developing countries, we understand that capacity building should:

- Be country-led, responding to local demand and tailored to the local context, reflecting local capacity and social norms and building upon existing national processes and institutions
- 2. Be **flexible**, able to adapt to evolving circumstances and priorities in-country
- **3.** Be **sustainable**, ensuring capacity is built and sustained in the longer-term.



Case Studies

1. UK PACT is a £60m

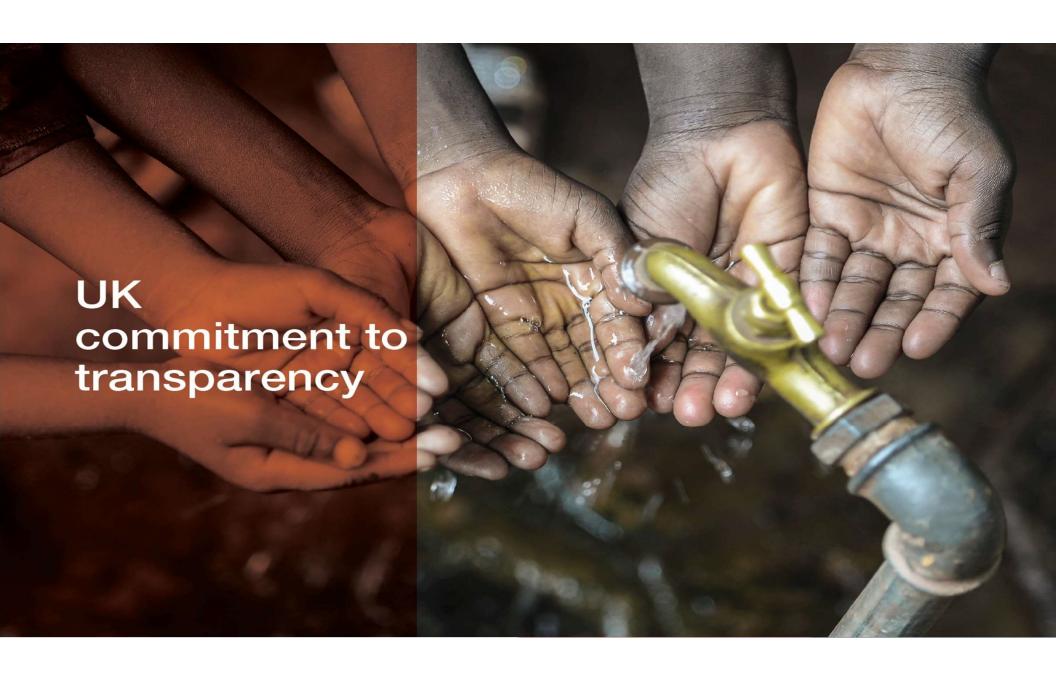
demand-driven technical assistance programme, working in partnership with developing countries who have made ambitious commitments in line with the Paris Agreement. UK PACT will build capacity in partner institutions by sharing UK expertise in areas like green finance, climate legislation and energy market reform.

2. Climate Finance Accelerator

(CFA) is a UK funded workshop initiative, bringing together policy makers, project developers and financial experts from Colombia, Mexico, Nigeria and Vietnam to accelerate the transformation of NDCs into 'bankable' Climate Investment Plans, thereby

helping to attract private sector investment at scale.

- 3. The 2050 Calculator is a >£6m UK climate model that allows countries, territories and regions to explore energy and emission pathway options. The UK has already supported 10 developing countries establish their own 2050 Calculators and is now being expanded to a further 5 countries
- 4. NDC Partnership UK (£2m) seeks to raise global ambition by supporting countries implement their NDCs and related Sustainable Development Goal (SDG) commitments.
- 5. Our Negotiations Support
 Programmes (£1m) and Capacity
 Building for International
 Negotiations (CaBIN) Programme
 (£15.6m) aim to 'level the playing
 field' in international climate change
 negotiations by providing expert legal
 and technical support to developing
 country negotiators whilst also
 offering logistical support to
 enable sufficient representation
 at key events.
- 6. Our Fijian COP23 Presidency Support Programme (>£1.7m) supports the Fijian Government throughout their term as the first Small Island Developing States (SIDS) to hold the UNFCCC COP Presidency.



UK commitment to transparency

Transparency is a crucial pillar of our collective efforts to manage the threat of climate change. Information on all UK development projects, including climate finance, is publicly available via the UK's online aid transparency portal Devtracker (www.devtracker.dfid.gov.uk)

Further information on the UK's International Climate Finance can also be found on the UK Government web page

(www.gov.uk/guidance/international-climate-finance)

All UK International Climate Finance is subject to regular independent auditing, including by the UK parliamentary International Development Committee, the UK National Audit Office and the Independent Commission for Aid Impact (ICAI).

"The UK has made a major policy commitment to supporting international action on climate change.

It has catalysed positive action, taking a leadership position on the need to shape and deliver an effective international agreement.

The ICF has built up significant momentum and is now well placed to deliver on its ambitious objectives (ICAI, 2014)."

Evaluations and annual reviews of programme on devtracker: https://devtracker.dfid.gov.uk/department/BEIS

The UK has pioneered a robust approach to the monitoring and evaluation of climate finance.

Portfolio Level:

- Monitoring:
- 16 KPIs to assess progress against outcomes
- Additionality and climate-specificity determined on an activity by activity basis.
- Reporting based on these assessments, ensuring high degree of scrutiny
- Framework currently being reviewed and updated
- Evaluation: The 'Compass' programme supporting the generation and use of evidence and knowledge across ICF through portfolio level synthesis and evaluation

Programme Level:

- Monitoring: Programmes use 'logframes' comprising KPIs and programme specific indicators
- Evaluation: Independent evaluation and annual reviews built into the design of programmes where appropriate

TRANSPARENT:

UK publishes results, annual reviews, logframes, and evaluations

LEARNING FOCUSED:

Evidence feeds into new programming through the business case process



And these systems are helping us learn valuable lessons...

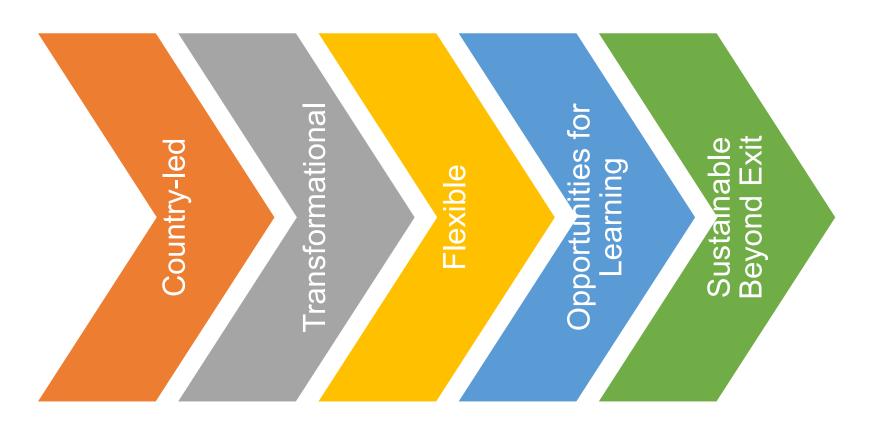
- An evaluation found that greater transparency of the NAMA Facility's selection process allowed for enhanced proposals from previously unsuccessful applicants.
- Useful to **build in requirements for independent evaluations**, gender reporting etc. when we begin new programming.

A common experience in projects has been **slow pace of implementation** and we have been addressing this:

- in the NAMA Facility we identified that **countries require greater support for the detailed project**preparation phase, to increase the chances of projects progressing successfully through implementation.
- In multilateral funds, e.g. the **Climate Investment Funds**, we have learned the **value of flexible programming** to respond to in-country circumstances such as shifts in the costs of technologies.



Principles of Effective Technical Assistance







'Principles of Effective Capacity Building: Supporting implementation of the Paris Agreement'



Partnering for Accelerated Climate Transitions (PACT) Programme

Karl McAlinden, Programme Manager (UNFCCC Strategy and Programmes), UK Department for Business, Energy & Industrial Strategy (BEIS)

UK PACT Overview

- The UK PACT programme is the UK ICF's £60m technical assistance programme, developed to support clean growth in middle-income, developing countries.
- Middle income countries for 58% of the world's carbon emissions, 80% of expected future emission growth, and 70% of the world's poor. The UK PACT programme works in mitigation, to reduce emissions in growing, high-emission economies.

Overarching Aims:

- Contribute to the reduction of the country's emissions and poverty, by improving the capacity and capability of key institutions (public, private, and civil society).
- Support demand-led technical assistance that prioritises implementation and helps raise climate ambition, by addressing barriers, constraints and areas of opportunity at different levels of government based on the country's political and economic context and sectorial priorities.



Why Technical Assistance?

Technical Assistance is, broadly, money for experts, training, research, services and data (programmes), as an alternative to "hard assets" (capital). The evidence base shows that building capacity via Technical Assistance is an effective way to deliver Official Development Assistance (ODA) – it builds the conditions in public and private sector institutions to accelerate poverty alleviation and climate mitigation in line with the COP 21 Paris



The Independent Commission for Aid Impact (ICAI) review of the ICF recommended that the ICF should widen the range of delivery partners it works with and that a greater emphasis should be placed on providing capacity building and technical assistance programmes, including for middle-income countries.



UK PACT: A Multi-Component Programme



A strengthened HMG delivery team in London and in key countries.



Facilitated short term skill sharing between UK experts and their in country counterparts.



Long term secondments of individuals into key institutions in country.



Country specific programme funds to support TA needs in line with agreed country strategies.



A 'global' competitive facility with thematic windows to support TA in areas of known need.

These activities will be integrated into the UK PACT through diplomacy, programme management, monitoring, evaluation, learning, comms and governance...



Governance & Programme Management

Comms, Media & Events





Learning,
Monitoring
&
Evaluation

UK PACT Early Activities

The UK PACT will spend £60m in partner countries over an initial 3 years.

£6m has been brought forward for early activities in Mexico, Colombia and China.

We will be announcing four new countries to expand bilateral programme funds in 2019.

The UK PACT 'Challenge Fund' will work to provide technical assistance globally, to priority countries in strategic areas of need.











Case Study: China-UK PACT

The China-UK PACT solely focuses on green finance as a key area of collaboration between the UK and China. A £2m call for proposals was run in the summer of 2018. with further funding rounds to follow in 2019 and 2020. The strategy China the for programme builds on the priorities for green finance highlighted by the UK and Chinese governments in their **Economic** and Financial Dialogues. The princlude:

- 1. Harmonisation: more unified and harmonised green finance guidelines and standards that align with international practices, both domestically and overseas (especially along the Belt and Road Initiative countries). The Green Bond Standards (streamlining domestic policies; alignment with international standards) and unified voluntary guidelines for infrastructure investment along the BRI.
- 2. Transparency: more transparent and responsible investment approaches that take account of climate-related financial risks and ESG investment.
 - Supporting UK-China TCFD pilot; facilitating information disclosure of listed companies.
 - o Research on positive correlation between ESG investment and financial returns; activities promoting investor responsibilities.
- 3. Innovation: increased innovation in green finance products and practice models.
 - o Green asset securitization.

Government .

- UK-China green tech incubator/park.
- 4. Capacity Building: furthering the UK-China green finance partnership, accelerating practical implementation of national green finance policies across the country, and promoting wider stakeholder engagement and knowledge sharing at regional/city/local-



Case Study: China-UK PACT

- Global Green Finance Leadership Programme, led by Tsinghua University.
- UK-China Green Finance Centre, led by the City of London's Green Finance Initiative.
- Implementing ESG disclosure and integration for a green and sustainable 'two-way opening' of the investment market in China, led by Principles for Responsible Investment.
- The Green Performance Premium: Examining historical green asset performance and the contribution of ESG-practices to micro- and macro-economic performance, led by the Oxford Sustainable Finance Programme.
- Advancing the UK China's Green Finance agenda through disclosure and demand-led capacity building for both financial firms and listed companies, led by Carbon Disclosure Project.





Case Study: Colombia-UK PACT

- A £2m call for proposals was run in the summer of 2018, with further funding rounds to follow in 2019 and 2020.
- The programme is **cross-sectoral** and the first round of activities are focused on:
 - Energy access
 - Energy efficiency
 - Renewable energy
 - Policy and strategy
 - Green finance
 - Sustainable tourism and scientific research
- In addition, there are several cross-cutting themes for each project including long-term GHG
 emission reduction, improved understanding of investment opportunities and risks in green
 growth, and the operationalisation of Colombia's MRV system for mitigation action.





Colombia: Amazon Skill Share

UK scientists and sustainable tourism experts visited Leticia, Amazon Region to work with **indigenous communities** and on the conservation of pink river dolphins.

Objectives:

- Share expertise around the suitability of sustainable tourism and scientific research as a strategy to protect forests.
- Initiate the development of business models for sustainable tourism through the empowerment of local communities and ethnic minorities.
- **Develop a better understanding** of scientific research being undertaken in the region, and its importance to tourism models.

Next steps: The UK PACT team will look to **integrate the results** of this skill share trip into future sustainable tourism projects, to achieve **wider transformational impact**.









Case Study: Mexico-UK PACT

- A £2m call for proposals was run in the summer of 2018, with further funding rounds to follow in 2019 and 2020.
- The programme has focussed on the following selected sectors in its first round of supported projects:

IK Government

- Energy access
- Climate policy
- Mobility
- Waste
- Green finance

- Support for the federal government (SRE) transition to continue the implementation of Paris - led by Fundacion Pensar
 - Capacity building with the Ministry of Foreign Affairs
- Full portfolio of projects (in climate policy, green finance, waste, decarbonisation and mobility) to be announced in January 2019.



Capacity Building: Colombia & Mexico



Following recent elections in Colombia and Mexico, UK PACT country teams have worked closely with new administrations in both countries when establishing a full portfolio of projects.

In Colombia this has included collaboration with the national government departments such as the Environment Ministry (MADS), National Planning Department (DNP), and Ministry of Mines and Energy (UPME), and local authorities such as the Mayor's Office of Bogota. In Mexico this has included work with national government departments including the Environment Ministry (SEMARNAT), the Energy Ministry (SENER) and and local authorities such as the Mayor's office in Mexico City (CDMX). Engagement has taken place in the build up to the recent inauguration.

This engagement has ensured projects are **transformational** and **matched to priorities** of partner governments.



PACT: Principles of effective Capacity Building

