



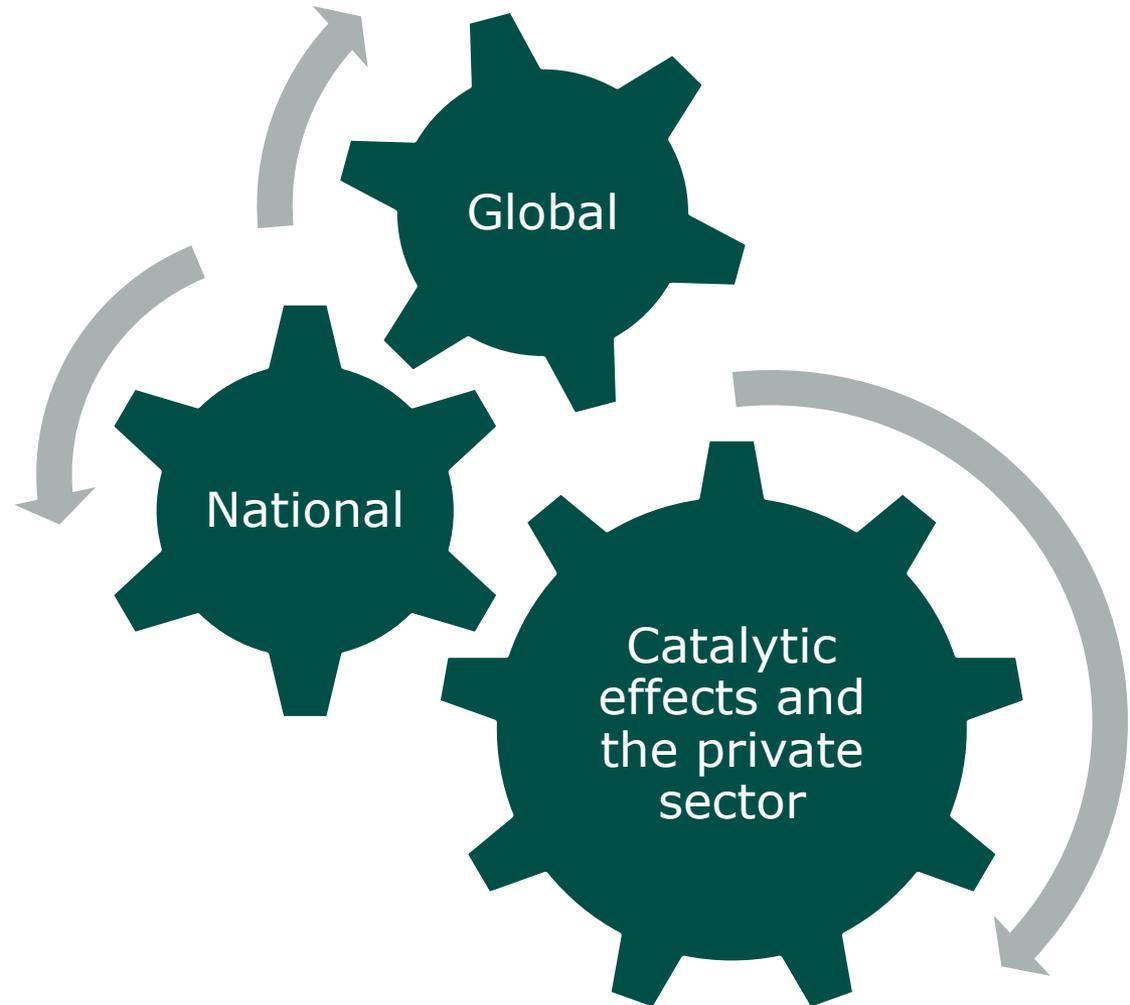
Understanding the Effectiveness of Climate Finance

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Monitoring climate finance and understanding effectiveness



Understanding the effectiveness of international climate funds

A framework for analysis



Driving logic and objectives of the fund

Spending

1. Mobilisation
2. Voice and administration
3. Allocation
4. Disbursement
5. Monitoring, evaluation and learning

Instruments

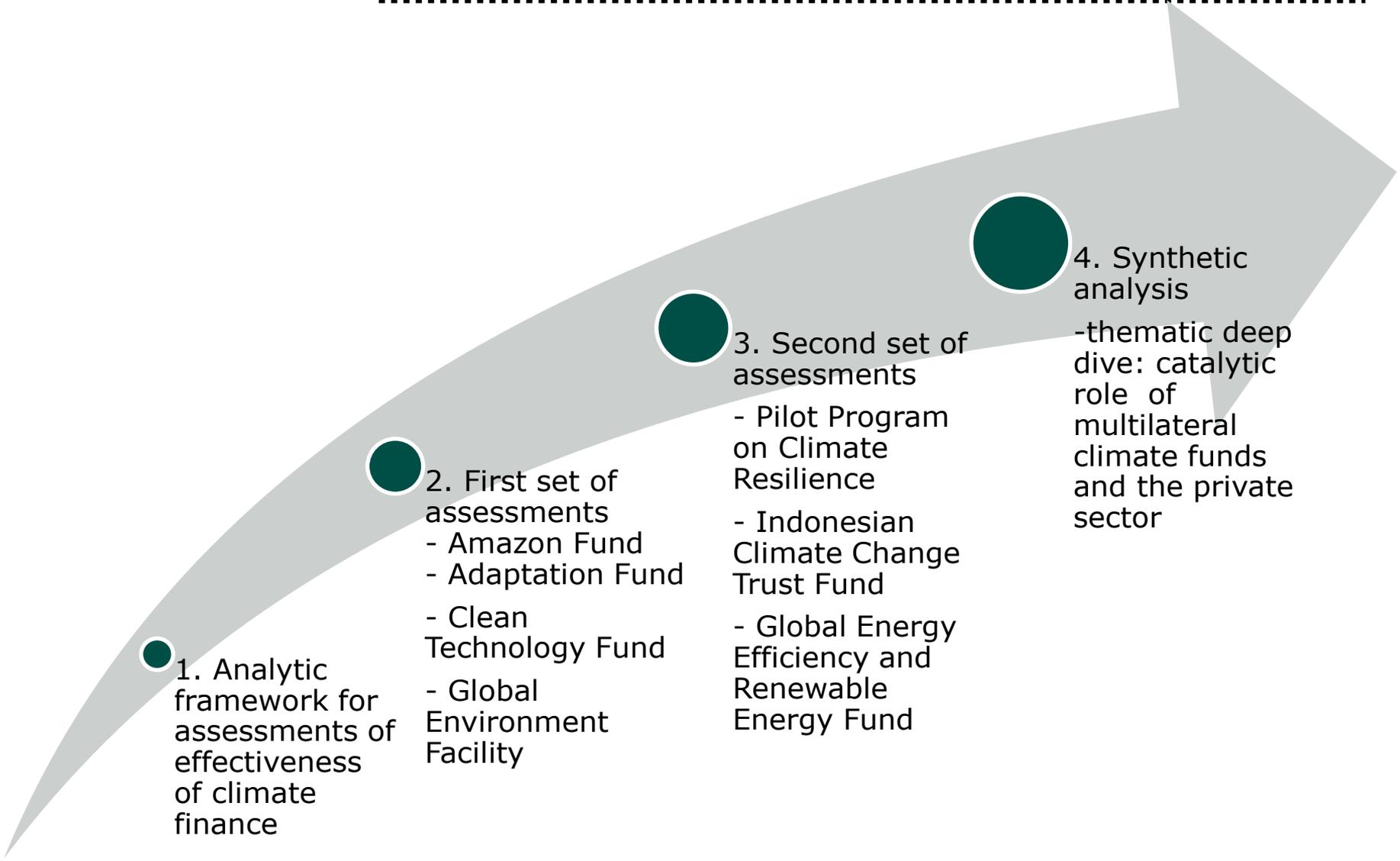
Outcomes

6. Scale
7. Enabling Environments
8. Catalytic impacts and sustainability
9. Innovation
10. National ownership

Role in the international climate finance architecture



An emerging body of work



1. Analytic framework for assessments of effectiveness of climate finance

2. First set of assessments

- Amazon Fund
- Adaptation Fund
- Clean Technology Fund
- Global Environment Facility

3. Second set of assessments

- Pilot Program on Climate Resilience
- Indonesian Climate Change Trust Fund
- Global Energy Efficiency and Renewable Energy Fund

4. Synthetic analysis

- thematic deep dive: catalytic role of multilateral climate funds and the private sector

The Adaptation Fund

A snapshot of how the framework is used

END PURPOSE AND OBJECTIVES / THEORY OF CHANGE

Kyoto Protocol Fund supporting concrete adaptation projects that meet needs of most vulnerable.

<p>1. Resource mobilisation:</p> <p>Innovative sources (2% levy on CERs from CDM) can be volatile. Blended finance model adopted by consequence: Modest capitalisation</p>	<p>USD 188 million from CER monetization (100% deposited)</p> <p>USD 150 million from voluntary pledges (95% deposited)</p>
<p>2. Voice and administration</p> <p>Developing country governments have formal majority</p> <p>Constructive working modalities and highly transparent</p> <p>Informal civil society engagement. Private sector engagement less prominent.</p>	<p>-11 developing / 5 developed countries on board</p> <p>-average annual administration cost of \$3.67 million</p> <p>- Additional meetings with CSOs</p>
<p>3. Investment Strategy and Allocation</p> <p>Intended to prioritise the vulnerable, but first come first served in practice.</p> <p>Efforts to improve project cycle efficiency. Strengthened guidance on stakeholder participation in program development to support better design and greater ownership.</p>	
<p>4. Disbursement and Risk Management</p> <p>Strong reporting by the Fund and implementing entities though aggregation needed. Environmental and social safeguard not required. Relatively small projects, and no concerns expressed yet.</p>	<p>-30% of approved budget has been disbursed to implementing entities; less to executing entities.</p> <p>-4 months on average for the first disbursement after agreement signature</p>
<p>1. Monitoring, evaluation, and learning</p> <p>Basic framework established before starting funding projects: gives Fund strategic focus</p> <p>Framework output based, rather than outcome oriented</p> <p>Implementing entities report on lessons learned and against fund indicators in periodic reporting.</p>	<p>Programs only began 4 years ago, and no interim reports against results framework objectives to date</p>

PORTFOLIO: More than half of finance improves agricultural practices (crop diversification, livelihood diversification, and soil and water conservation). 26% supports flood control and hydraulic management, through improved weather monitoring and early warning systems.

OUTCOMES

6. Scale : Average project size is USD 6.6 million over 4.4 years

- Supports sub-national level activity, recognising importance of **local level impact**
- Many programs direct funding to small projects, including through community micro-finance
- Execution often difficult: necessary to monitor whether scalable and replicable.

7. Enabling Environments

- Most programs include some efforts to strengthen underlying **policies, laws and regulations** that will **improve adaptive capacity**
- Exceeds expectations that the Fund might focus on “hard” interventions.
- Implementation is complex: political developments in country have been disruptive.

8. Innovation

Several projects support **new technology deployment** in recipient countries, particularly for disaster risk reduction and enhanced food security oriented projects and programs. On balance focus on innovation in the activities supported or approaches taken is limited

9. Catalytic outcomes

- has raised awareness. **NIE accreditation** can create positive domestic competition to meet robust fiduciary, transparency and management standards.
- mobilising the private sector is not an objective of the Fund. In practice several programs **engage private companies** (notably tourism) as stakeholders and implementation partners (e.g. in Mauritius)

10. National ownership

Direct access has signalled willingness to work in direct partnership with developing country based institutions. Strengthening coordination is a challenge: implementing entities (national or multilateral) need to be able to work across government and stakeholders.



ROLE IN THE GLOBAL CLIMATE FINANCE ARCHITECTURE

- Adaptation Fund has played an important role in scaling up available finance for adaptation in developing countries from a very low baseline
- Developed a functional system for delivering adaptation finance
- Has set high standards for transparency, and provisions for accountability and learning
- Need to ensure that the GCF builds on the operational achievements of the Adaptation Fund, and ensure synergies with its adaptation window.

Understanding the effectiveness of climate finance delivery within recipient countries

A framework for in depth studies of climate related, policies, institutions and expenditure within developing countries, building on Climate Public Expenditure and Institutional Reviews



Principles

Policy

- Ease of implementation
- Legitimacy
- Coherence
- Transparency

Institutions

- Coordination
- Innovation
- Local anchorage

Expenditure Frameworks

- Planning and execution in national systems
- Reporting
- External audit



Measuring the effectiveness of public climate finance delivery at the national level

Neil Bird, Helen Tilley, Nella Canales Trujillo, Godber Tumushabe, Bryn Welham, and Pius Yanda

March 2013

Cross-cutting study: international climate funds role in catalysing climate compatible investment

Forthcoming deeper dive study



Catalysing investment

Sector / Source of capital ¹	Debt (OTC and market traded etc.)		Equity (listed and unlisted – including balance sheet finance)		Guarantees / loan insurance		Insurance (including export credit insurance)		Grants (including philanthropy and corporate social responsibility)	
	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private
Mature renewable projects (onshore wind, solar PV)	Established	Established	Limited	Established	Established	Limited	Limited	Established	Established	Established
Maturing renewable projects (geothermal and biomass power)	Limited	Limited	Limited	Established	Established	Limited	Limited	Established	Established	Established
Developing renewable projects (offshore wind or CSP)	Limited	Limited	Limited	Established	Limited	Limited	Limited	Established	Limited	Limited
Industrial efficiency / Efficient FF generation projects	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Established	Limited	Limited
Sustainable buildings	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Established	Limited	Limited
RE / EE equipment	Limited	Established	Limited	Established	Limited	Limited	Established	Established	Limited	Limited
Sustainable transport solutions (BRT, Rail) ²	Limited	Limited	Limited	Limited	Established	Limited	Limited	Established	Established	Limited
Waste and water management	Limited	Limited	Limited	Limited	Established	Limited	Limited	Established	Established	Limited
Sustainable agriculture and forestry	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Established	Limited	Established
Climate proofing (of infrastructure) ³	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Limited	Limited

Key: Established⁴ Emerging Limited

Sources: IFC 2011, Nakhlooda, Watson and Whitley 2012, and authors' additional analysis

- 1 The table could be expanded by breaking out debt and equity in more detailed sub-categories, and include levels of concessionality
- 2 Transport and waste/water management are often last to be privatized; public private partnerships may be elusive, and private sector participation is not always possible
- 3 It may be useful to look at this in terms of specific infrastructure types (roads, buildings, power plants etc.)
- 4 Specific levels of investment under each category and thresholds for ongoing monitoring need to be refined, and undoubtedly vary across countries.



<http://www.climatefundsupdate.org>

Comprehensive information on the
objectives and scope of dedicated
public climate finance:

For more information contact smita.nakhooda@odi.org.uk
All studies available