

National Climate Funds Breakout Group

NDC Global Conference - 3 May 2017
Cassie Flynn, UNDP





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Who are we?



1. What is a National Climate Fund?

2. Deep dive into 3 key issues

- Alignment with strategies and plans
- Capitalization
- Private Sector Engagement

3. The way forward



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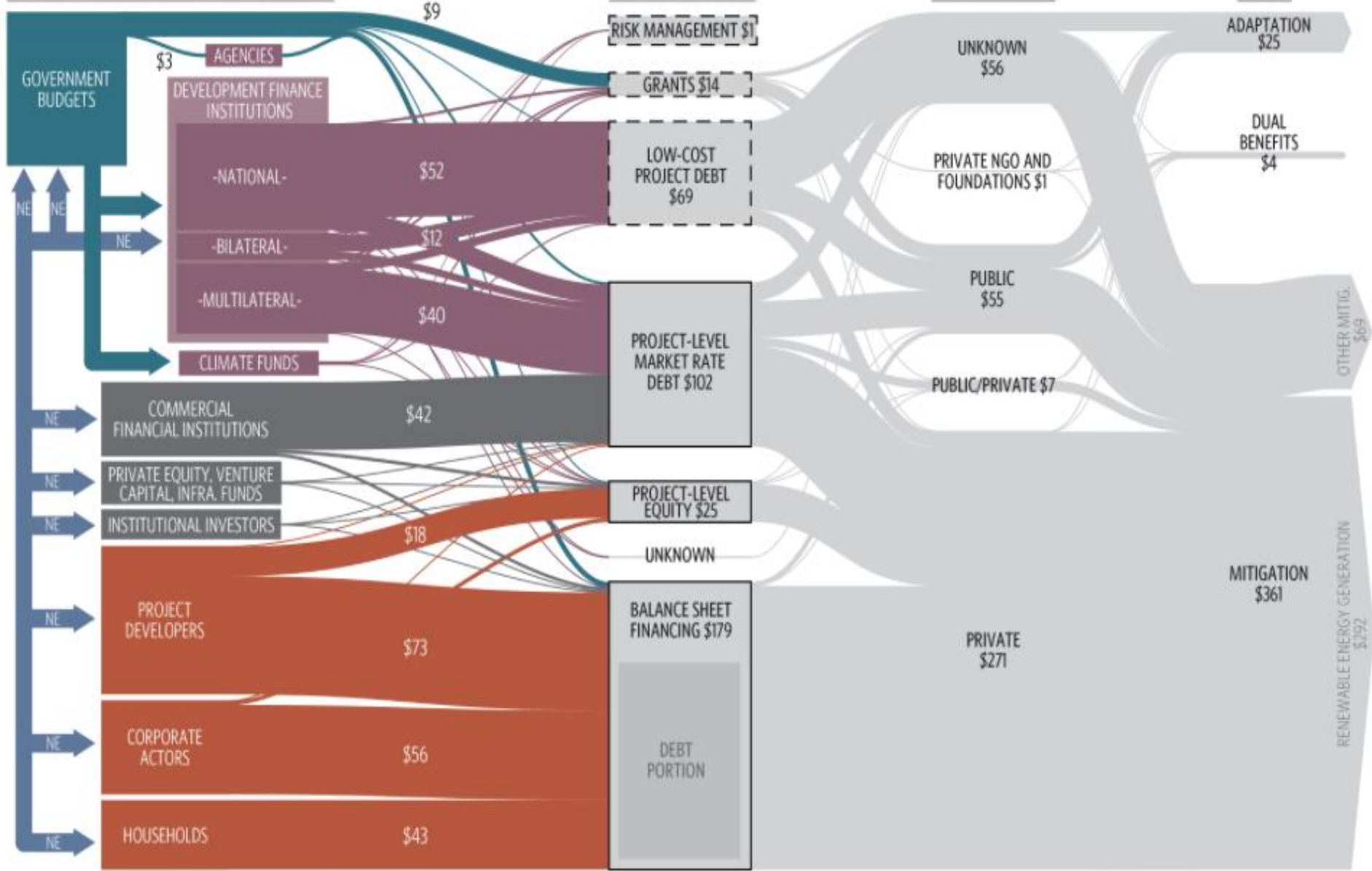
Overview of National Climate Funds

SOURCES AND INTERMEDIARIES

INSTRUMENTS

RECIPIENTS

USES



KEY

- PUBLIC MONEY
- PRIVATE MONEY
- PUBLIC FINANCIAL INTERMEDIARIES
- PRIVATE FINANCIAL INTERMEDIARIES
- CAPITAL INVESTMENT
- CAPITAL INVESTMENT AND INCREMENTAL COSTS
- FINANCE FOR INVESTORS & LEENDERS

NE: NOT ESTIMATED

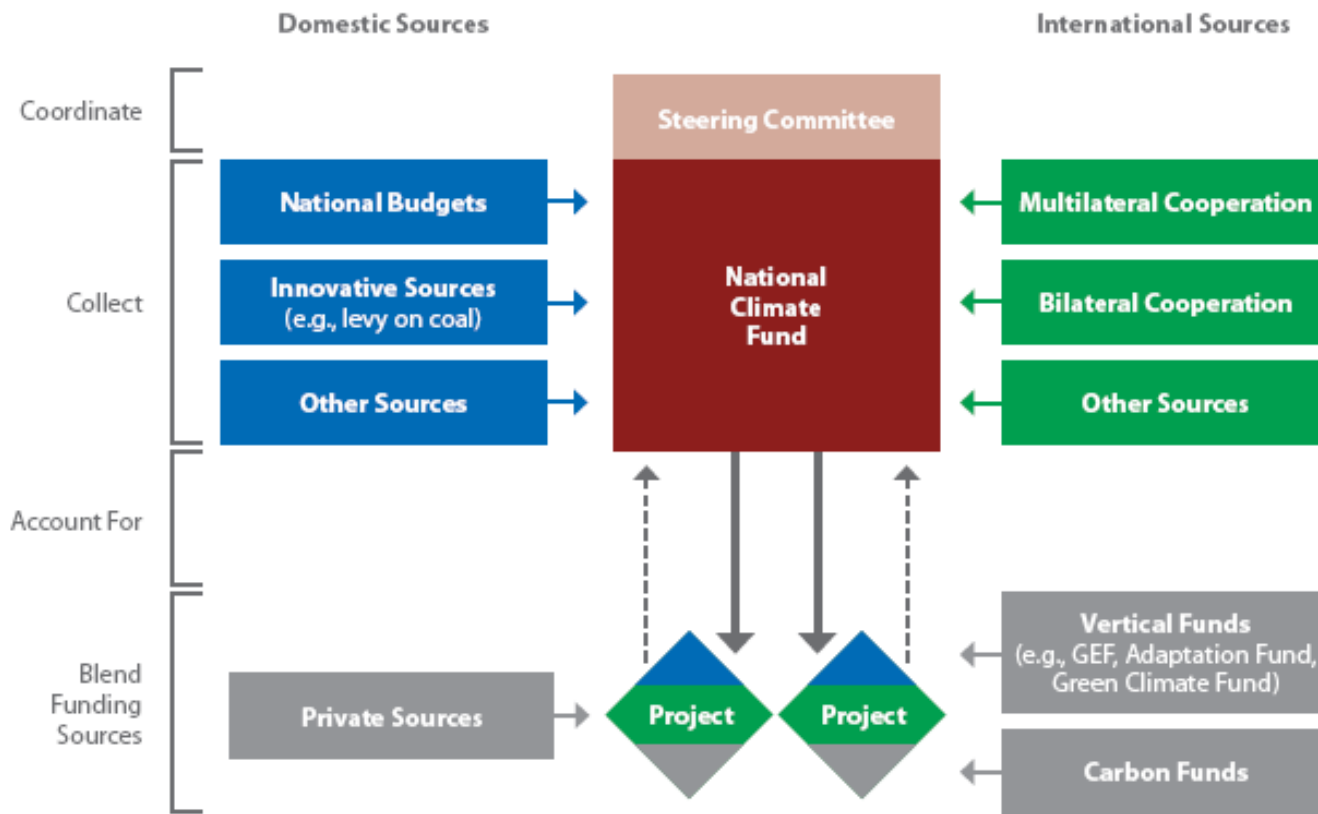
What is a National Climate Fund?



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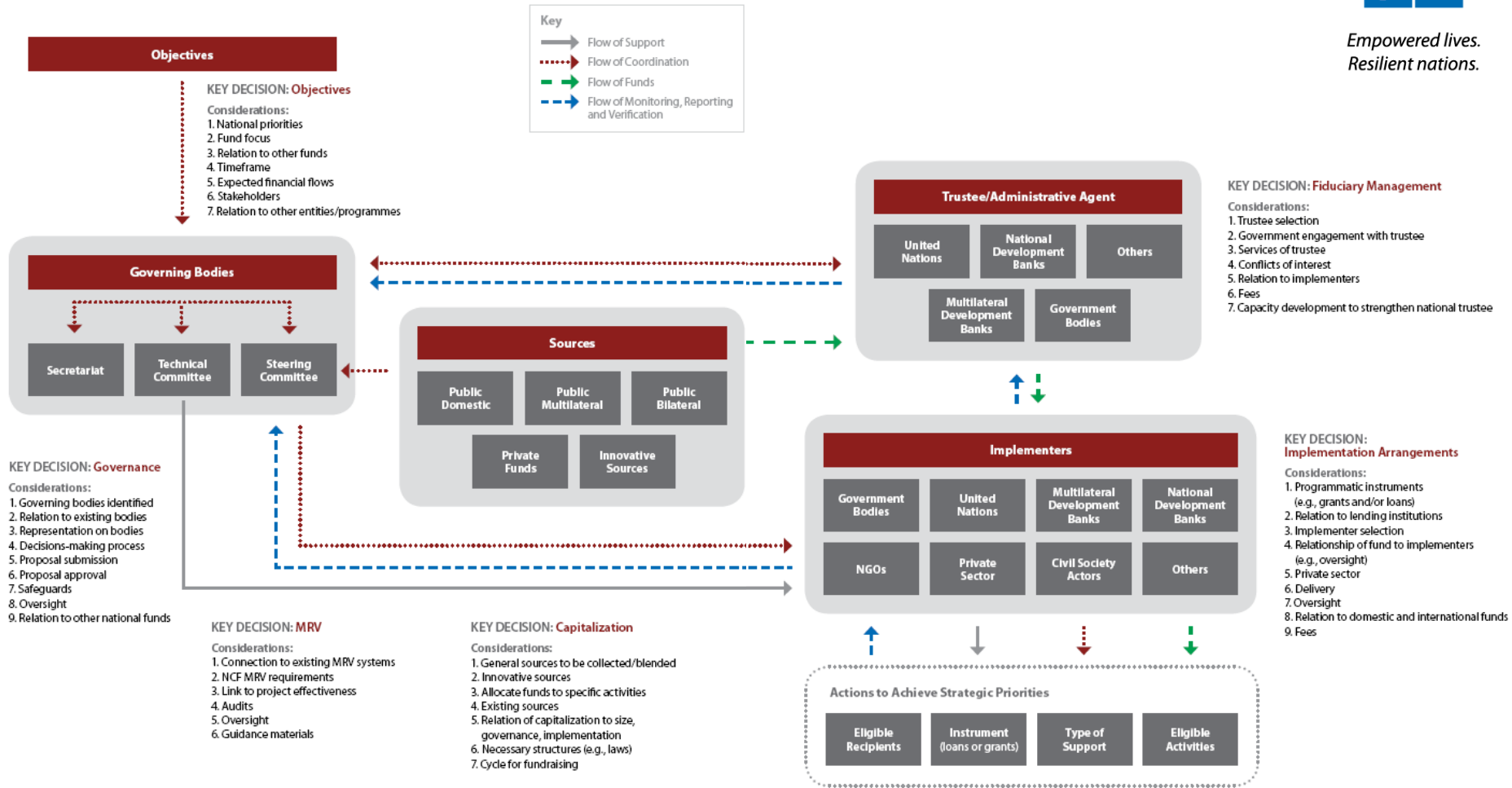
An NCF is a tool that supports countries to direct finance toward climate change projects and programmes by facilitating the **collection, blending, coordination** of, and **accounting** for climate finance.

National Climate Funds as Part of the International Climate Finance Landscape



Source: Flynn (2011).

Structural Overview of an NCF



Objectives



KEY DECISION: **Objectives**

Considerations:

1. National priorities
2. Fund focus
3. Relation to other funds
4. Timeframe
5. Expected financial flows
6. Stakeholders
7. Relation to other entities/programmes

Defining the Objectives



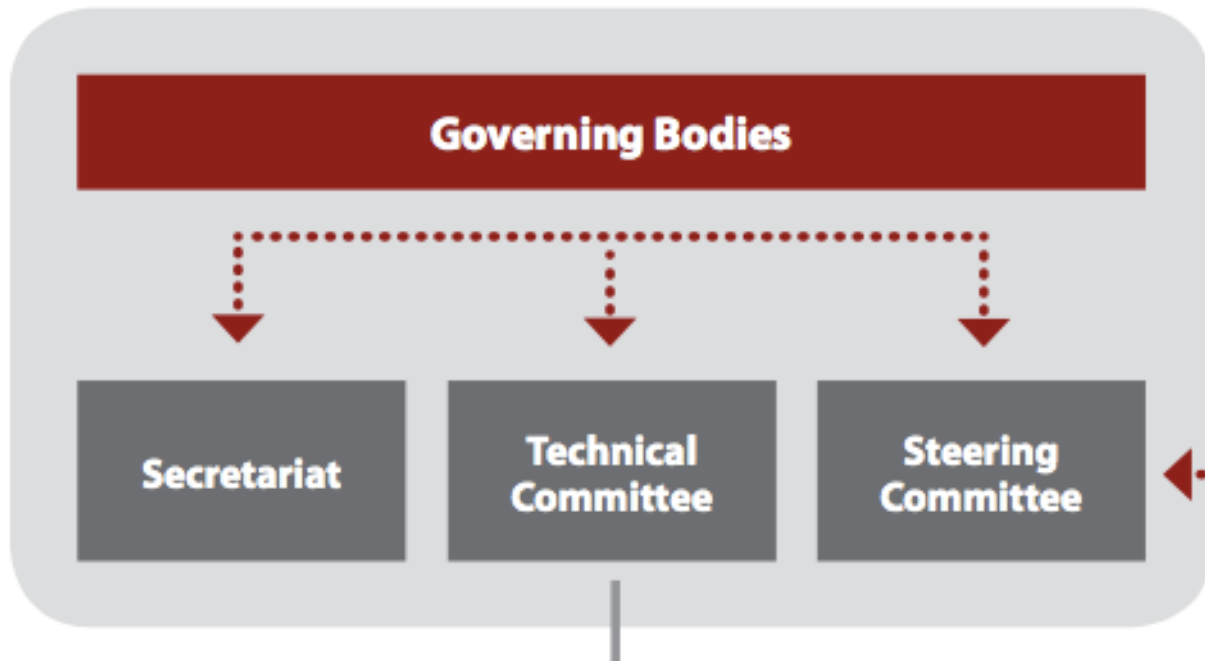
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As a first step, a country must identify its strategic goals on climate change and how the NCF will help it to achieve these goals. The objectives can include programmatic priorities (e.g. mitigation, adaptation) and management priorities (e.g. attracting private sector).

An NCF's objectives provide the foundation for its operations and outcomes.

Bangladesh Climate Change Resilience Fund

Endorsed by the government in 2009, the fund provides direct support for the implementation of Bangladesh's Climate Change Strategy and Action Plan for 2009 — 2018. It focuses on helping vulnerable communities adapt to greater climate uncertainty and changing agricultural conditions. It is managed by a Board comprised of Ministers of environment, finance, agriculture and disaster management, donors and civil society.



KEY DECISION: **Governance**

Considerations:

1. Governing bodies identified
2. Relation to existing bodies
3. Representation on bodies
4. Decisions-making process
5. Proposal submission
6. Proposal approval
7. Safeguards
8. Oversight
9. Relation to other national funds

Instilling Effective Governance



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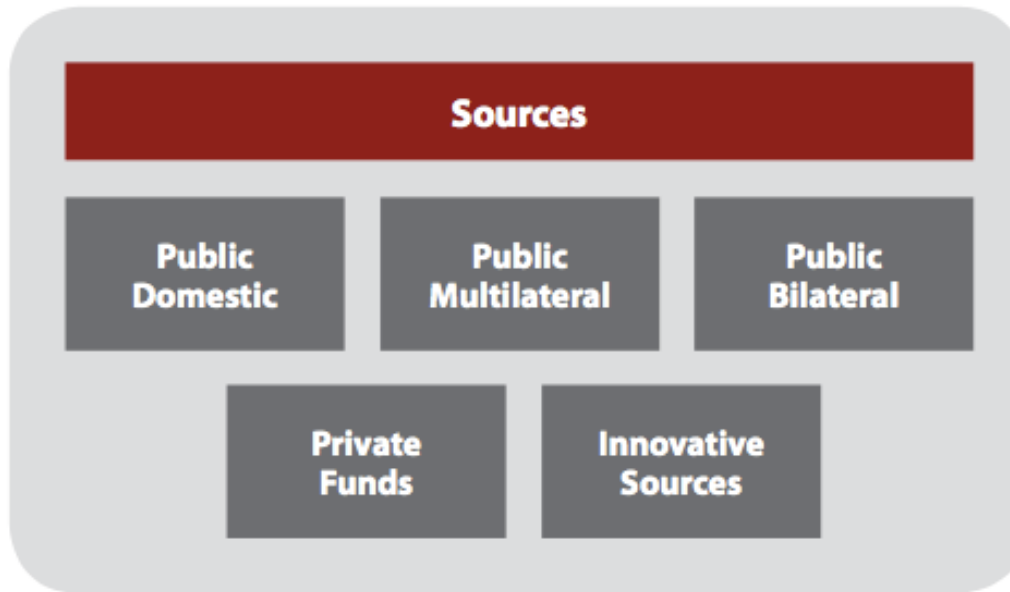
Linking with the objectives and capitalization, appropriate governing bodies, decision-making processes and oversight functions must be identified that will optimize the fund's performance. Generally, the governing bodies make decisions on fund management and strategic direction.

The governing bodies must have clear roles that effectively support the NCF without adding increased burden or bottlenecks in the programming cycle.

Indonesia Climate Change Trust Fund

The ICCTF is managed by a Steering Committee that is responsible for identifying general strategic policy recommendations and defining priority areas to be financed, including approving funding to project proposals. A Technical Committee provides technical assistance to the Steering Committee and evaluates project proposals. The Secretariat manages the day-to-day operations of the ICCTF.

Grant proposals are received by the Secretariat to ensure all documentation is complete. The Technical Committee reviews each proposal and develops an assessment report that is submitted with the project proposal to the Steering Committee. The Steering Committee then approves or rejects the proposal.



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KEY DECISION: **Capitalization**

Considerations:

1. General sources to be collected/blended
2. Innovative sources
3. Allocate funds to specific activities
4. Existing sources
5. Relation of capitalization to size, governance, implementation
6. Necessary structures (e.g., laws)
7. Cycle for fundraising

Identifying Capitalization



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Building on the objectives, the types of resources that will support the fund should be identified. Deciding where the funds will come from is one of the most important choices that will shape the NCF.

International, national, public and private can be delivered through an NCF. Capitalization must be realistic and grounded in the objectives and functions of the NCF.

China CDM Fund

Established by the Ministry of Finance and the National Development and Reform Commission in 2007, the China CDM Fund is an innovative finance mechanism that collects resources from revenues generated from CDM projects in China, earnings from CDM business operations, grants and other types of cooperation and support from multilateral development institutions. The fund provides grants and investments for initiatives that address climate change and promote social and economic sustainable development. It also provides preferential loans to energy-saving and renewable energy projects. The fund expects to have \$1.5 billion for renewable energy by 2012.



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Funds can be structured as:

- An **endowment fund** - lasts in perpetuity, preserving its capital and using only the interest or return on investment to finance activities.
- A **sinking fund** - disburses a proportion of its capital each year over a defined period of time until it sinks to zero.
- A **revolving fund** - replenished or augmented on a regular basis, usually through fees, taxes or levies.



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KEY DECISION: **Fiduciary Management**

Considerations:

1. Trustee selection
2. Government engagement with trustee
3. Services of trustee
4. Conflicts of interest
5. Relation to implementers
6. Fees
7. Capacity development to strengthen national trustee

Ensuring Sound Fiduciary Management



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Sound fiduciary management provides the foundation for the movement and tracking of funds to and from the NCF. A trustee or administrative agent should be identified to manage transactions and ensure that funds are collected and distributed in a coordinated and efficient manner.

Capacity development can be a critical element of fiduciary management. Many NCFs identify an international development partner as the trustee but plan to transition this role to a domestic entity in the future.

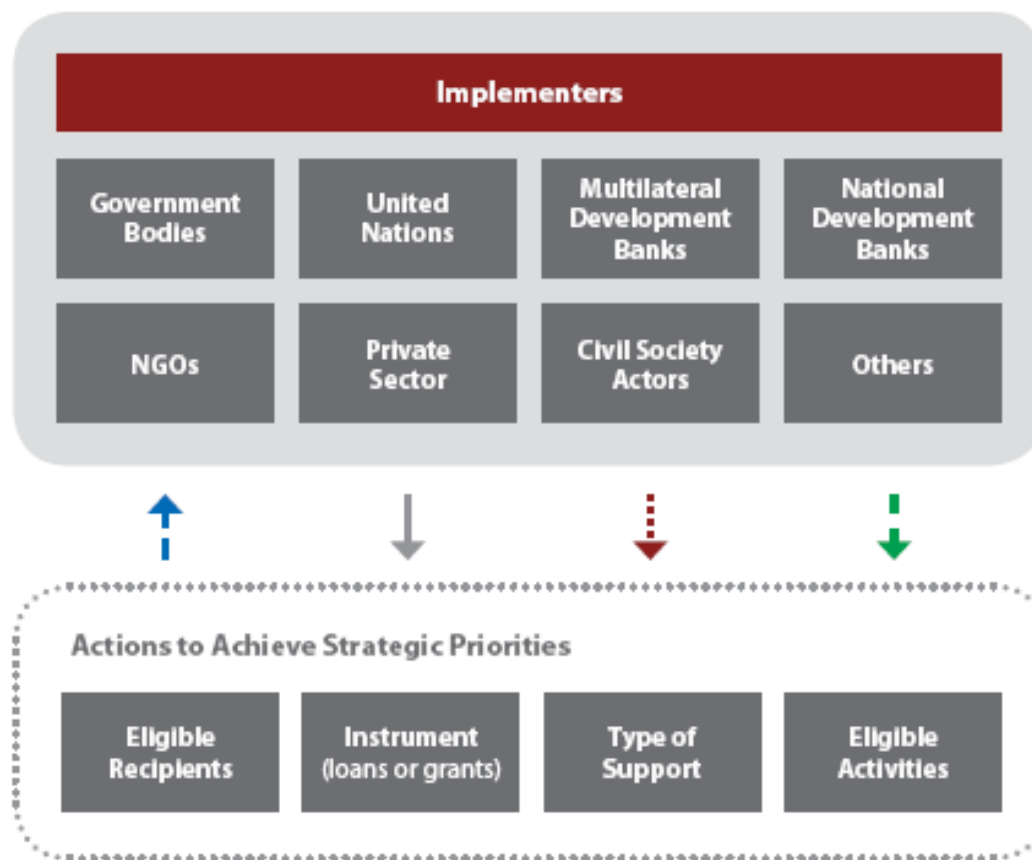
Ecuador Yasuni ITT Trust Fund

The fund uses the UNDP Multi-Partner Trust Fund (MPTF) Office as the Administrative Agent. The UN MPTF Office receives and administers contributions and disburses funds to implementing entities as directed by the fund's steering committee. It also performs a range of reporting functions, including consolidating reports based on those submitted by implementing entities and conducting regular financial reporting through an online platform (<http://mdtf.undp.org>).

Structural Overview of an NCF



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KEY DECISION: Implementation Arrangements

Considerations:

1. Programmatic instruments (e.g., grants and/or loans)
2. Relation to lending institutions
3. Implementer selection
4. Relationship of fund to implementers (e.g., oversight)
5. Private sector
6. Delivery
7. Oversight
8. Relation to domestic and international funds
9. Fees

Supporting Efficient Implementation



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Implementation arrangements – the processes and agents set in place to complement climate change programming – must support the objectives of the NCF and align closely with other key design elements.

Implementation arrangements include identifying programmatic instruments (e.g. grants, loans) and the system for carrying out programming and projects. Both of these elements should be streamlined to ensure efficient results.

UN-REDD Programme in the Democratic Republic of the Congo (DRC)

In DRC, the UN-REDD programme provides grants to support the country to better engage with the international system for reducing emissions from deforestation and forest degradation (REDD+). Activities include stakeholder engagement and consultation, national strategic thinking and planning, data collection and analysis, donor dialogues, programme formulation, participation in international fora and the mobilization of climate and other environmental funds. UN-REDD is supported by three UN agencies: UNDP, the United Nations Environment Programme (UNEP) and the Food and Agriculture Organization (FAO). Other international stakeholders are close partners, including the World Bank's Forest Carbon Partnership Fund (FCPF) and key international NGOs, such as Rainforest Foundation and the World Wildlife Fund.

Facilitating Effective MRV



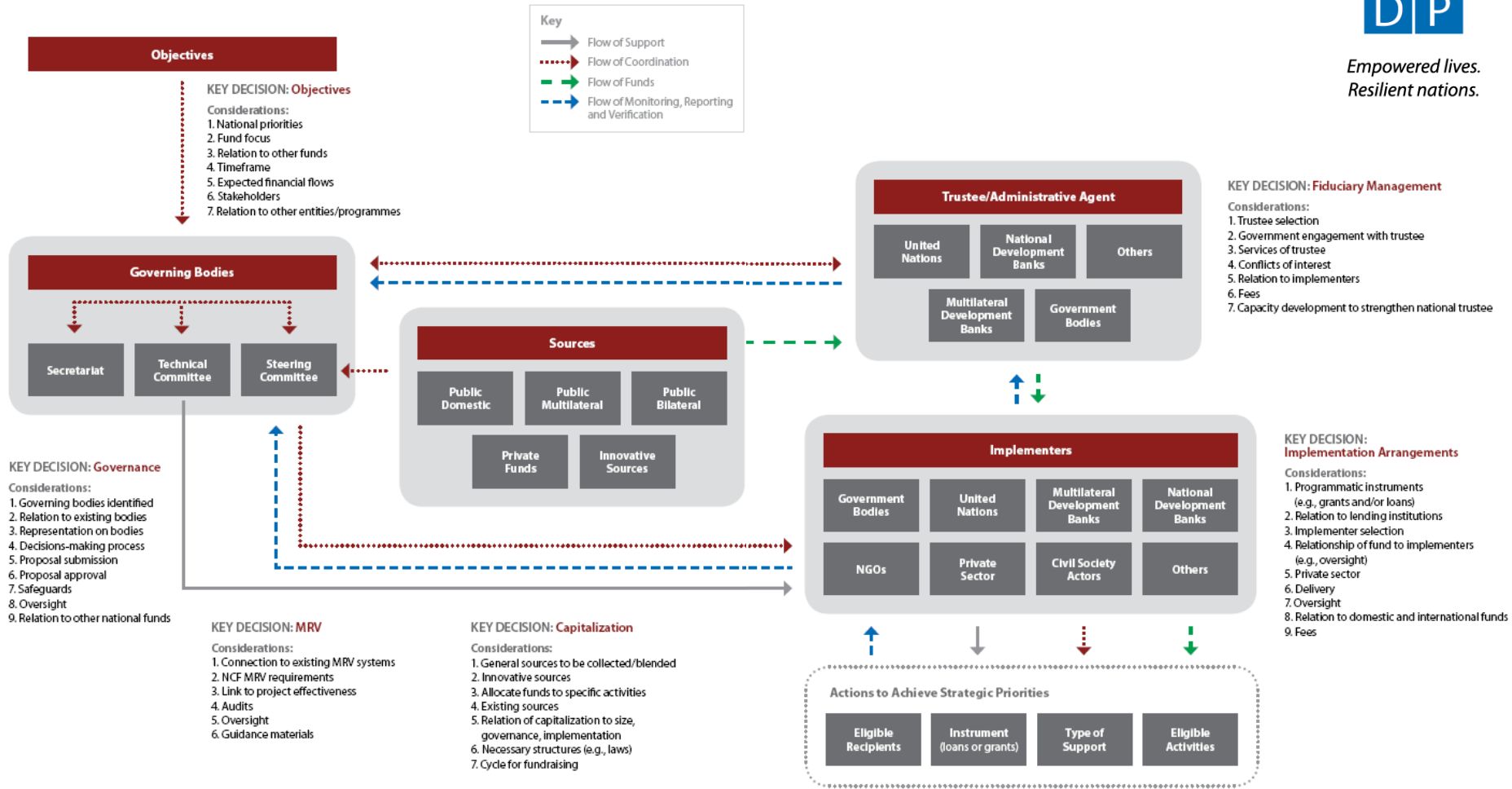
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Monitoring, Reporting and Verification (MRV) enables the NCF to ensure that results are being delivered, and to collect lessons learned from implementation that will further refine and improve the NCF.

The NCF should have unambiguous appraisal and performance criteria. Each stakeholder responsible for providing information on activities must have clear guidelines and standards.

Cambodia Climate Change Alliance Trust Fund

Grantees submit implementation reports every three months to the Trust Fund Secretariat, who compiles the information into a single report. Based on this information, the head of the Trust Fund Secretariat provides quarterly progress reports. An annual report summarizes the progress of implementation for the full year. A Joint Programme Annual Review occurs each year to review the report.







CLIMATE SUMMIT

WHAT IF IT'S
A BIG HOAX AND
WE CREATE A BETTER
WORLD FOR NOTHING?

- ENERGY INDEPENDENCE
- PRESERVE RAINFORESTS
- SUSTAINABILITY
- GREEN JOBS
- LIVABLE CITIES
- RENEWABLES
- CLEAN WATER, AIR
- HEALTHY CHILDREN
- ETC. ETC.



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National Climate Funds

Deep Dive Discussions





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Deep Dive 1

How were you able to align your NCF with your national plans and strategies?

Mr. Rasmi Hamzeh

Jordan Renewable Energy and
Energy Efficiency Fund



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Deep Dive 2

How were you able to ensure that the capitalization was sustainable?

Ms. Karen Silverwood Cope
Brazil National Fund on Climate
Change



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Deep Dive 3

How were you able to engage with the private sector?

Mr. Krib Sitathani

Thailand's Energy Supporting Mechanisms through Energy Conservation Fund and ESCO Fund

NCF Guidebook

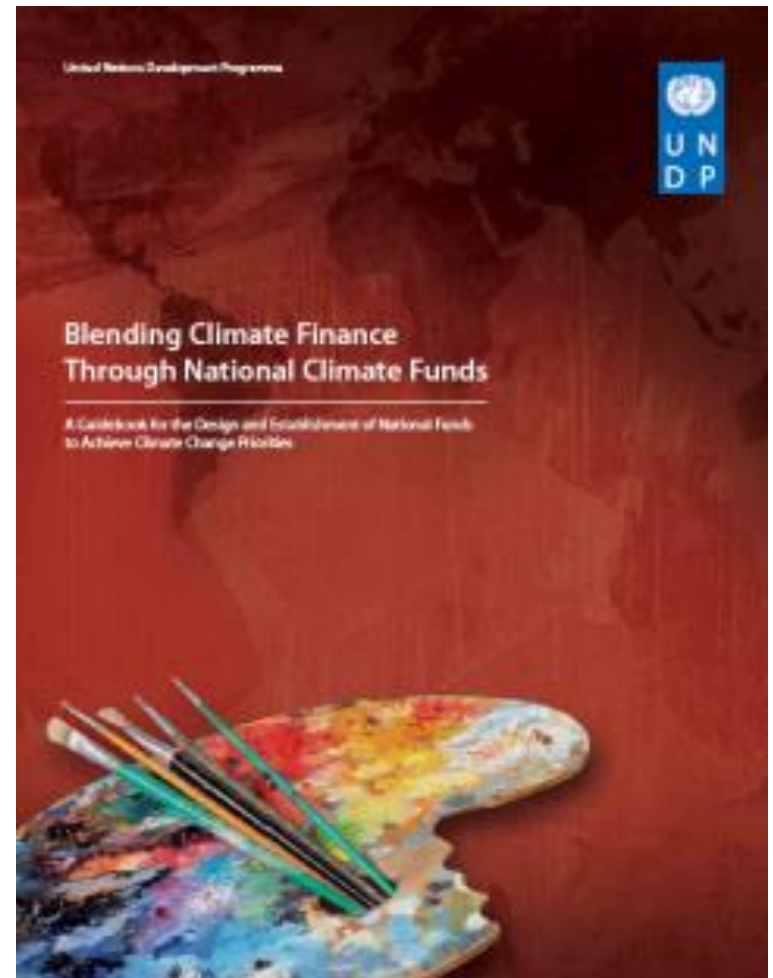


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For more information,
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Thank You

