



# Meeting of Experts on Long-term Finance Bulletin

## A Summary Report of the First Meeting of Experts on Long-term Finance

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### SUMMARY OF THE FIRST MEETING OF EXPERTS ON LONG-TERM FINANCE: 16-17 JULY 2013

The First Meeting of Experts on Long-term Finance (LTF) convened from 16-17 July 2013 in Manila, the Philippines, to focus on aspects of the extended work programme on LTF under the UN Framework Convention on Climate Change (UNFCCC). Over three thematic sessions, each commencing in plenary with presenters and discussants, followed by informal breakout sessions, participants considered possible pathways for mobilizing scaled-up climate finance, parameters for identifying such pathways, and enabling environments and policy frameworks in the context of mobilization and effective deployment of climate finance in developing countries.

The meeting was part of an extended work programme on LTF initiated at the 18th session of the UNFCCC Conference of the Parties (COP 18) in Doha, Qatar, at the end of 2012. The extended work programme, on mobilizing scaled-up climate finance to US\$100 billion per year by 2020, is expected to inform and set the tone for an in-session high-level ministerial dialogue during COP 19, which will convene from 11-22 November 2013 in Warsaw, Poland. Over 40 participants attended the meeting, including one minister from Nicaragua, nine finance and planning representatives, seven from environment ministries and agencies, seven from civil society, fifteen from international organizations and seven from the private sector. The Co-Chairs of the extended work programme on LTF, Naderev Saño, the Philippines, and Mark Storey, Sweden, received a protest statement from climate justice and debt campaigners, signifying growing public interest in this issue.

At the close of the expert meeting, it was clear that further consideration of the issue would be required, particularly on pathways for mobilizing climate finance towards the US\$100 billion goal. Experts still must contend with, *inter alia*, possible ways to define climate finance, lessons from the fast-start finance period, and approaches for monitoring, reporting, and verification (MRV) systems for finance to ensure consistency and transparency on resources provided to developing countries. Experts also addressed the practical realities and constraints faced by developed country parties in the context of public finance. With eyes set on the wrap-up session for the extended work programme in September, the Second Expert Meeting in August will be a further opportunity to separate the technical and analytical elements from issues that require discussions at the political level. As experts grapple with the practical realities and constraints faced by developed country parties, and growing calls from developing countries for scaled-



Bayanihan Dance Troupe entertained the participants at the reception

up finance, the discussions at this session underscored the central role that finance and finance-related bodies will play in shaping the post-2020 climate architecture.

### A BRIEF HISTORY OF THE WORK PROGRAMME ON LONG-TERM FINANCE

The 17th session of the UNFCCC Conference of the Parties (COP 17), held in 2011 in Durban, South Africa, decided to undertake a work programme on LTF in 2012, including workshops, in order to make progress on the issue in the context of decision 1/CP.16, paragraphs 97-101 (finance). The aim of the LTF work programme was to contribute to ongoing efforts to scale up the mobilization of climate change finance after 2012. Thus, it analyzed options for mobilizing resources from a wide variety of sources, such as public, private, bilateral, multilateral and alternative sources, and undertook analytical work on climate-related financing needs of developing countries for adaptation and mitigation. To fulfill its mandate, the work programme drew on relevant reports, including that of the UN Secretary-General's High-

#### IN THIS ISSUE

A Brief History of the Climate Investment Funds . . . . .	1
Report of the Meeting . . . . .	2
Upcoming Meetings . . . . .	8
Glossary . . . . .	9

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level Advisory Group on Climate Financing (AGF) and the report on mobilizing climate finance prepared for the G-20, and considered lessons learned from fast-start finance. The Co-Chairs of the work programme, with the support of the Secretariat, were requested to prepare a report on the workshops for consideration by COP 18.

**First Workshop on Long-term Finance:** The first LTF workshop was held from 9-11 July 2012 in Bonn, Germany, with the aim of increasing understanding of long-term climate finance, and focusing on solutions rather than problems. The workshop addressed key aspects pertaining to LTF, benefited from technical and analytic inputs from experts, and used social media and webcast tools to promote transparency, openness and inclusiveness by engaging those not physically present at the workshop. In addition to the 150 participants at the workshop, approximately 350 people viewed the workshop webcast each day, and 1500 comments and questions were sent via Twitter. While many valuable insights were gained from inputs received and views exchanged, the first workshop also highlighted the considerable amount of work required to address information gaps and to identify options for financing climate action.

**Second Workshop on Long-term Finance:** The second LTF workshop convened from 1-3 October 2012 in Cape Town, South Africa, and focused on approaches to scaling up climate finance and creating enabling environments. Participants considered new and innovative sources of climate finance, approaches and strategies to mobilize climate finance from such sources, and ways to strengthen developing country capacity for improved access to climate finance. Plenary sessions were webcast, and presentations were followed by moderated question-and-answer sessions. Three sessions convened on: scaling up of climate finance and sources; enhancing enabling conditions, focusing on policies and instruments; and enhancing enabling conditions, focusing on delivery and access. The IISD Reporting Services summary of the Second Workshop on LTF can be found at: <http://www.iisd.ca/download/pdf/sd/ymbvol205num3e.pdf>

**Web-based and Other Activities:** Two webinars underpinned by technical and analytical discussions were held between the first and second workshops. The first focused on various approaches to assessing financing needs to implement mitigation and adaptation measures in developing countries in the longer term, while the second focused on adaptation finance. Other web-based activities included: a “connect-to-co-chairs” tool, which provided an additional channel for communicating with the Co-Chairs; a resource library featuring contributions for the work programme; and a dedicated website featuring information about the work programme. In addition, an e-forum provided a platform for engaging with stakeholders, exchanging views, and sharing technical and analytic information on a variety of topics.

**Extended Work Programme on Long-term Finance:** At COP 18, in decision 4/CP.18, delegates agreed to extend the work programme on LTF with the twin aims of informing: developed country parties in their efforts to identify pathways for mobilizing scaled-up climate finance to US\$100 billion per year by 2020; and parties in enhancing their enabling environments and policy frameworks to facilitate the mobilization and effective deployment of climate finance in developing countries. The First Meeting of Experts on LTF is part of that extended work programme.

Other elements of COP 18 decisions on long-term finance for consideration, as identified by the Co-Chairs during an information event in Bonn on 3 May 2013: encouraged developed countries to increase their efforts to provide resources of at least the average annual level of fast-start finance for the period 2013-2015 (1/CP.18); invited submissions by developed countries by COP 19, that contain information on their strategies and approaches for mobilizing scaled-up climate finance to US\$100 billion by 2020 in the context of meaningful mitigation actions and transparency of implementation (1/CP.18); and called for an in-session high-level ministerial dialogue at COP 19 to consider progress made in mobilizing LTF and efforts undertaken by developed countries to scale up mobilization after 2012 (1/CP.18).

The 2013 extended work programme is designed to focus on areas where it can add value, building on the 2012 work programme (2/CP.17) and taking into account related processes and bodies, such as the Standing Committee on Finance, Green Climate Fund (GCF), Adaptation Fund, and work programmes on REDD+ finance, loss and damage and nationally appropriate mitigation actions (NAMAs).

**Web-based and Other Activities Related to the Extended Work Programme:** To supplement submissions by parties and other bodies under the Convention on their views on LTF, the Co-Chairs undertook a series of consultations and meetings during the period April-June 2013, including:

- A webinar (18 April) on the themes and modalities of the extended work programme;
- A follow-up information event (3 May) during the second session of the *Ad Hoc* Working Group on the Durban Platform for Enhanced Action (ADP) during which the Co-Chairs presented the themes and modalities for the extended work programme based on submissions, the webinar and bilateral consultations; and
- A two-part event organized at the 38th meeting of the Subsidiary Bodies (SB 38) and the second part of the second session of the ADP during the June 2013 Bonn Climate Change Conference (4 and 10 June).

The Second Meeting of Experts on Long-Term Finance will take place on 19-20 August 2013, in Bonn, Germany, and a final wrap-up meeting is expected to take place in Songdo, Republic of Korea, in September, which will be followed by the submission of a report by the Co-Chairs on the outcomes of the extended work programme at COP 19 in Warsaw in November 2013. This will inform the ministerial dialogue on finance at COP 19.

## REPORT OF THE MEETING

### OPENING AND WELCOME BY THE LTF CO-CHAIRS

LTF Co-Chair Naderev Saño, the Philippines, opened the meeting in the Dusit Thani Hotel, Makati City, on Tuesday morning, 16 July. He described climate finance as one of the key building blocks of the UNFCCC, and noted



LTF Co-Chair Naderev Saño, the Philippines

the sense of expectation that participants would deliver on this issue. He urged participants to leave their negotiator hats at home and engage in discussions on the key mandates of the extended work programme with a view to injecting some certainty into attempts to address the climate crisis through mobilizing the necessary resources.

Mary Ann Lucille Sering, Secretary and Vice-Chair, Philippine Climate Change Commission, welcomed participants to the Philippines and, pointing to a World Bank report, observed that her Government has introduced an annual spending increase of 26 percent on disaster response, with 90 percent of that increase committed to responses and rehabilitation. She described the role of the Climate Change Commission and noted a 2012 decision to create a People's Survival Fund. She highlighted the opportunity for participants to learn from the fast-start finance phase and stressed the need to focus on two key aspects: sustainability of sources; and ease of access to climate finance.

### **SESSION 1: PARAMETERS FOR IDENTIFYING PATHWAYS FOR MOBILIZING SCALED-UP CLIMATE FINANCE**

The first session took place on Tuesday morning, and was introduced by Co-Chair Mark Storey, Sweden, who explained that the session would identify the building blocks of likely pathways for mobilizing scaled-up climate finance from multiple sources, and discuss analytical and institutional dimensions of long-term planning for climate change, including for climate finance. Storey urged participants to step outside the boundaries of and beyond their negotiating positions. More specifically, he said the session would focus on:

- parameters for identifying pathways for international climate finance (sources, periods and channels);
- challenges in defining pathways for public, private and alternative sources; and
- experiences with long-term planning for international climate finance, including the fast-start finance period.

Mattia Romani, Global Green Growth Institute and London School of Economics, outlined current knowledge on sources of climate finance. He described a number of financing principles that could be used by developed countries, including: taxing "bads" or "externalities"; a framework for "additionality" understood as "newness" and "innovation" in designing a suite of financial instruments and combinations



H.E. Mary Ann Lucille Sering, Secretary and Vice-Chair, Philippine Climate Change Commission

or bundles of sources of finance; core sourcing from public funds for adaptation and the correction of market failures; and scalability, credibility and robustness. He recalled that the AGF concluded that meeting the US\$100 billion goal on the basis of known financial sources is feasible, and summarized current public and private sources, including a potential US\$50 billion on the basis of a carbon price of US\$20-25. Romani commended bundles of finance sources that are mutually supportive and consistent because they help spread risk, reinforce one another and allow for predictability. He underlined the fundamental impact of lowering fossil fuel subsidies, citing recent findings of the International Monetary Fund (IMF) that these now exceed US\$600 billion in advanced economies, and amount to US\$2 trillion when taking externalities into account (equivalent to 2.5 percent of global gross domestic product (GDP) and 8 percent of annual government revenues). On the potential of aligning a value added tax on energy products, Romani explained that this could free up US\$150 billion a year. He noted a steady increase in financial flows, amounting to US\$300 billion per annum, towards low-carbon technologies over the past ten years, emphasizing that although flows in Europe and North America have slowed, they have continued to grow in Asia, Africa and Latin America. On the role of intermediaries, he noted the blending function of new funds led by emerging markets and developing countries.

In a presentation on roadblocks and pathways for climate finance, Paul Oquist, Minister for Policy, Nicaragua, cautioned that the world was already on a path to a temperature increase of between 3.5 to 6 degrees Celsius (°C). He cited a figure from an International Energy Agency report on how deferring action means that for every dollar not invested in clean energy by 2020, US\$4.3 will have to be spent to compensate. He remarked that simply substituting dirtier energy by using natural gas is not enough.

Referring to an internal World Bank document, Oquist said that it was unlikely that public money would be available in substantial amounts in the current economic climate to reach the US\$100 billion goal. He pointed to two potential major sources of finance: removal of fossil fuel subsidies; and a carbon tax on bunker fuels, including maritime and aviation transport.

He discussed alternative methods for raising climate finance, including China's swap agreement with other countries, economic cooperation through alliances in Latin America, and alternative financial instruments, including the Bank of the South, BRICS Development Bank, Bank of ALBA, and Unified Regional Compensation System (SUCRE) currency.

He mentioned the Petrocaribe mechanism with its financing and guarantee of payments that allow deferred funds to be invested in socio-productive projects that stimulate the economy and social projects as an innovative way in which oil supplies can be used to bring about a transformative impact. Using Nicaragua as an example, he indicated that substantial savings could be achieved by transforming the energy mix with renewable energy.

Oquist also described how a multilateral trust fund could be set up with initial financing from contributions from various sources, including banks, and developed and beneficiary



Mark Storey, Long-term Finance (LTF) Co-Chair, Sweden

countries that would be able to channel savings from reduced oil purchases to finance its activities. He said such an institution could eventually be set up as a permanent fund.

**Discussion:** Joffrey Célestin-Urbain, Ministry of Finance, France, discussed numerous challenges surrounding the full articulation of “pathways” for mobilizing the US\$100 billion goal. He noted a gap between how pathways are presented in UNFCCC decisions and political statements and what is happening on the ground, and highlighted the lack of an agreed definition on climate finance. He noted that while the concept of a pathway could be easily applied to public finance in relation to multi-annual financing frameworks for official development assistance (ODA), doing so for private finance is more difficult. He called for conceptual clarity given that the US\$100 billion goal with the associated 2°C temperature goal is discussed in the context of mobilizing finance from a variety of sources. He indicated work being done by the Organisation for Economic Co-operation and Development (OECD) to develop a definition for private climate finance and said donor countries would have to arrive at a common definition on public climate finance.



Joffrey Célestin-Urbain, Ministry of Finance, France

Using the example of the French budget cycle, Célestin-Urbain highlighted difficulties in developing pathways that go beyond a fiscal framework of three years due to stipulations by the French parliament. He also noted the lack of a common period of reference in terms of ODA flows and indicated the challenges posed for developing a common uniform pathway due to different replenishment cycles used by multilateral funds. On the use of innovative sources, he noted the difficulty in identifying pathways when discussions are ongoing, for example, regarding bunker fuels and future carbon pricing policies.

Citing the example of the Doha Climate Conference, Célestin-Urbain noted the need to transform figures announced by developed countries through political declarations into pathways. He envisioned two ways forward: the first and unsatisfactory one would be to continue without having clear definitions of climate finance; and the second would be to have international cooperation on pathways through a political process. He said this would require a common definition on climate finance, a break down of the US\$100 billion goal in terms of public and private sources, a further disaggregation of public sources by developed countries, and a process that matches climate funding with climate action for a maximum leveraging effect.

Discussant Abhishek Acharya, Ministry of Finance, India, called for continued respect for the principle of common but differentiated responsibilities, and underscored the importance of addressing effective demand if the carbon price was to be maintained on the carbon market. On the limits of removing fossil fuel subsidies, he cautioned that greater elasticity in fossil fuel consumption exists in the developing world due to

the substitution effect of traditional fuels. He explained that, in the absence of access to clean technologies, the removal of subsidies has the effect of prompting people to revert to traditional sources of carbon-intensive fuels. He noted that decisions about “blending” and “bundling” finance sources are the sovereign prerogative of developing countries, and called on participants to substitute the term “resource providers” for “donor countries.”

Co-Chair Storey noted the challenge of defining pathways in the context of developed country commitments that had not been well elaborated. During further exchanges, participants raised the following issues: views on the merits of countries competing for capital in the context of climate change; the accountability of trust funds to the UNFCCC; following the extent to which public investment leverages private investment, with assurances that the private capital would not have been invested otherwise; the need for caution around the treatment of subsidies on the consumption side that may impact energy consumers in developing countries; inward public-private investment in Nicaragua’s energy sector; the vulnerability of coffee production in Nicaragua and prospects for financing adaptation; IMF work on the identification and variability of subsidies throughout energy supply chains; the impact of multi-annual public spending plans in developed countries on climate investment planning in developing countries; the political and social sensitivity of poverty reduction-related issues, such as public transport subsidies; and taking action now instead of waiting for the UNFCCC and the COPs, which are losing some of their relevance.

Participants then convened in two breakout groups to discuss the issues in more detail.

## ***SESSION II: PUBLIC POLICY AND FINANCIAL INSTRUMENTS THAT FACILITATE THE MOBILIZATION OF CLIMATE FINANCE ACTIVITIES IN DEVELOPING COUNTRIES***

On Tuesday afternoon, Co-Chair Saño opened the second plenary session, on public policy and financial instruments to facilitate the mobilization of climate finance for mitigation and adaptation activities in developing countries.

Having introduced participants to trial an electronic voting device to register their opinions on a screen in the conference room, Saño displayed responses to a question about representation at the meeting. He announced that the experts in attendance came from: finance and planning ministries (9); environment and related agencies (7); the private sector (5); civil society organizations (7); and international organizations (15).

Co-Chair Saño explained that the two presenters during the session would explore the enabling environments, policy frameworks and mechanisms that can attract flows from international and domestic sources of finance for low-carbon and climate-resilient project development in developing countries. Specifically, participants were invited to discuss enabling environments for scaled-up mobilization of resources from multiple sources at domestic and international levels, and policies conducive to scaled-up long-term private climate finance and investment.

Sarah Conway, Department of State, United States (US), said her country took long-term finance very seriously, having agreed on the goal, with developed country partners, of mobilizing US\$100 billion per year in climate finance by 2020, from a wide variety of public and private sources, to address

the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation. She underlined the conceptual difference between long-term and fast-start finance, which had been a one-time good faith effort in which developed countries provided public finance to developing countries. She said long-term finance would entail a shift of focus to mobilizing both public and private finance. Recognizing the inherently complex task of mobilizing climate finance, she described the need to combine a limited core of public money with smart policies to catalyze maximum investment. However, she added, virtually no coordination had been undertaken by donors.

She recalled that on 11 April 2013, her government hosted an inaugural meeting of climate ministers and senior officials from development and finance ministries to begin to focus on maximizing investment in climate action using available public funds. Participants included representatives from Australia, Canada, Denmark, the European Commission and Presidency, Germany, Italy, Japan, New Zealand, Norway, Poland and Switzerland. She called for a shift away from ideological debates and recognition that public and private investments are normally blended together in major infrastructural finance whether this investment is for mitigation or adaptation. She noted that private investors manage sums of money that dwarf available public funds. She described a number of approaches to address the main barriers to scaling up green investments in developing countries (the difference in financing costs, compounded by fossil fuel subsidies; and risk factors that limit foreign direct investment in emerging markets): strengthening domestic policy frameworks and enabling conditions through targeted technical assistance; the surgical application of risk mitigation tools; increasing the supply of and avenues for concessional and non-concessional debt at rates and tenors not otherwise available; and incremental cost financing in the form of grants and concessional loans.

Conway also outlined a series of ongoing work streams, including on: development finance institutions led by the US Overseas Private Investment Corporation and Germany's KfW; export credit agencies led by Denmark's export credit agency; multilateral development banks (MDBs) coordinated by the US Treasury Department; and the design of the GCF Private Sector Facility, led by Switzerland, Denmark and the Netherlands. In addition, she noted that several countries are elaborating the concept of a public-private platform to promote innovation in private climate finance. Conway described how the US would continue to play a coordinating role and how mobilizing finance would require strong engagement with developing countries where the "pull" factor, or enabling environment, remains critical.

Nathan Fabian, Investor Group on Climate Change, discussed the role of institutional investors, particularly pension, insurance and sovereign wealth funds. He described



Nathan Fabian, Investor Group on Climate Change

these funds as trustees of workers' capital and noted that their long-term perspective leads to a style of investing which favors a substantial allocation to long-term assets. Fabian underscored the need to reallocate capital to reduce investment risks, argued that investing in greenhouse gas intensive activities would not serve fiduciary responsibility,

and emphasized that risk/return balance drives investment decisions. He also noted that the required rate of return on investments would likely be higher in many developing countries as institutional investors are not familiar with these markets. He highlighted the opportunity for public funding to derisk, reduce cost, pool, promote and demonstrate how public and private money can go together.

He stressed the need to address challenges faced by low-emissions and climate-resilient investments in developing countries, including higher risk, cost and liquidity gaps, compared to business-as-usual investment options, to attract capital more quickly. Fabian identified some specific barriers, including fewer organized intermediaries, less familiar investment structures, higher cost of investment, and low experience levels of investors.

Fabian pointed to a growing appetite for MDB-pooled vehicles, such as climate bonds. He elaborated on examples of specific instruments that could address risks, such as feed-in tariff risk insurance, credit enhancement of project debt, and first-loss public/private funds. He said these instruments enhance investor confidence and lower the cost of doing business.

**Discussion:** Roberto Julian, Development Academy of the Philippines, identified the key question as: how do you make climate finance attractive? Noting that bankers finance what is familiar to them, Julian discussed how climate finance could be brought into mainstream finance. He argued that the basis for the attractiveness of climate-related projects was their underpinning values and urged using new measurement techniques to promote these values. He noted that once these values are clarified they could be built into the financing criteria of institutions and eventually be established as a minimum requirement. Julian argued that conventional metrics, such as rate of return, were insufficient and noted progress in using natural capital accounting. He said assets cannot be separated from the environment and indicated the need for a change in defining what constitutes an asset. He stressed analyzing all options and identifying those that generate the most value.

Participants proceeded to convene in two informal breakout groups to further discuss these issues.

### **SESSION III: ENABLING ENVIRONMENTS AND POLICY FRAMEWORKS FOR EFFECTIVE DEPLOYMENT OF CLIMATE FINANCE**

On Wednesday morning, 17 July, participants convened in a third thematic plenary session, to discuss enabling environments and policy frameworks for effective deployment of climate finance.

Co-Chair Storey introduced the topics for discussion and noted the range of perspectives on: various factors for the effectiveness of deployed climate finance; tracking and



Daniel Buckley, UNDP

mobilizing finance from public and private sources; the role of MDBs and national development banks; needs assessments and domestic capacity; and transparency of climate finance.

Daniel Buckley, UN Development Programme (UNDP), highlighted ongoing efforts by UNDP and partners to track, account for, and

improve the effectiveness of climate finance, particularly through Climate Change Public Expenditure and Institutional Reviews (CPEIRs) and national climate funds (NCFs). He noted that CPEIRs build on public expenditure review methods but add a climate dimension by attempting to understand funding allocations, management of funds and institutional arrangements. He discussed splitting domestic and foreign expenditures into high, mid and low relevance to climate change as a unique aspect of CPEIRs. He described the goal of climate fiscal frameworks as providing a basic insight into how countries are spending their climate dollars and identified three aspects: policy development by linking priorities with expenditures and taxation decisions; institutional structures to complement and catalyze domestic spending; and public financial management to incentivize private investments. He outlined some of the policy, institutional and expenditure recommendations from CPEIRs, including: linking climate policy with domestic budgets; the important role of local governments as key channels for climate finance; harmonizing definitions of climate finance at the national level; focusing on local governance, water and transportation; and accounting for “dirty” expenditures.

Buckley outlined some of the early lessons of CPEIRs, including: laying the groundwork for NAMAs and national adaptation plans; the need to understand the economics of adaptation; how the medium-term budget outlook can allow for a quantitative shift in expenditures over time; improving the quality of expenditures by mainstreaming climate change into development and addressing the synergy between disaster risk reduction and adaptation; and the importance of building on local priorities. Buckley identified NCFs as one way to implement the recommendations emerging from CPEIRs, and discussed some of the possible goals of NCFs, including: collecting and blending funds from different actors and sources; coordinating countrywide climate change strategies; and strengthening capacities for national ownership and management of climate finance. He cautioned against viewing NCFs as a panacea and urged thinking hard about objectives and institutional arrangements for these funds. He underlined the need to build flexibility over time to shift expenditure requirements as needed.

Espen Ronneberg, Secretariat of the Pacific Regional Environment Programme (SPREP), described the engagement of finance and economic ministers, resulting in the identification of local priorities, including budgetary support and national/regional trust funds. He underlined the importance of augmenting support at the regional level for individual countries to support attempts to access bilateral resources and SPREP’s struggle for accreditation in order to qualify for access to the Adaptation Fund.

Ina Von Frantzius, policy advisor, Germany, invited Ronneberg to share a paper on SPREP’s



Espen Ronneberg, Secretariat of the Pacific Regional Environment Programme (SPREP)



Ina Von Frantzius, Germany

experience with the Board of the GCF. She outlined her country’s contribution to climate finance and described the importance of delinking development from greenhouse gas emissions. She proposed that climate finance should have the objective of sustainable development, and that combating climate change should become part of national development strategies for countries and multilateral donors. On key lessons from development coordination, she highlighted the importance of effectiveness, coherence at the national level, coordination among donors, country ownership and leadership. On readiness, she noted a number of dimensions, including the integration of climate change into national plans, identification of no-regrets measures, institutional capacity, access and moving beyond project-based funding.

**Discussion:** During the exchange that followed, participants raised: the role of insurance; the inclusion of climate change expenditures in national budgeting; the importance of readiness in the context of CPEIRs; and apparent gaps between claims about funding and what is happening on the ground.

Participants proceeded to convene in two informal breakout groups. A third informal breakout group was convened for observers.

### REPORTS FROM BREAKOUT GROUPS

On Wednesday afternoon, reports from the six breakout groups were presented to participants. Co-Chair Storey opened the reporting session and encouraged presenters to capture messages that would provide value to the Co-Chairs in the course of their deliberations on the LTF work programme.

**SESSION I:** Breakout Groups I.1 and I.2 addressed parameters for identifying pathways for mobilizing scaled-up climate finance.

**Breakout Group I.1:** The report of discussions in this breakout group addressed:

- developing country demands for a focus on increasing funding for climate action as quickly as possible rather than on pathways by themselves;
- a belief by developed countries that they face a variety of restrictions on scaling up finance, such as domestic budgetary restrictions, political considerations, and availability of projects in developing countries that can demonstrate wise use of finance for continued support;
- a general recognition that most climate finance in the future will be private finance, as it already forms a substantial share amongst cost-effective mitigation technologies (however, the group felt that this is not happening at the scale needed to meet the 2°C goal);
- barriers faced by different technologies, including country, technology and liquidity risks that can be reduced with the public sector’s help to achieve the right mix to attract the private sector; and
- agreement to tackle mobilizing finance to scale up new technologies, as waiting for them to become economically attractive may be too slow to meet the 2°C goal.

**Breakout Group I.2:** The report on discussions in this breakout group addressed:

- pathways for the delivery of climate finance;
- climate finance as a means to achieving internationally agreed objectives, including on adaptation;
- channeling climate change policy frameworks;
- using enhanced levels of private finance to leverage low-carbon development, including for adaptation in small island developing states, and the need for appropriate price signals;
- pricing externalities as a precondition for lasting low-carbon pathways in developed and developing countries;
- the role of carbon pricing through taxes and the removal of subsidies in encouraging the wasteful consumption and production of fossil fuels;
- the role of risk reduction in attracting private finance;

- the need for a definition of climate finance and harmonized reporting and verification standards;
- the OECD's work on MRV;
- the main challenge of significant scaling up of mitigation and adaptation efforts by developing countries to achieve their long-term policy frameworks and assist them with transition costs;
- the need for coordination among "resource provider" countries;
- an acknowledgement that the US\$100 billion goal is a collective one and that the path to its realization must also be pursued collectively; and
- operationalizing pathways through procedural frameworks for multi-annual financing.

**SESSION II:** Breakout Groups II.1 and II.2 discussed public policy and financial instruments that facilitate the mobilization of climate finance for mitigation and adaptation activities in developing countries.

**Breakout Group II.1:** The report of this breakout group addressed:

- the Asian Development Bank's experience with concessional resources for climate finance, including the use of market mechanisms, private investments and public-private partnerships;
- technology as the core for both finance and mitigation, and climate change as integral to development;
- South Africa's progress on climate change policies and instruments, including the National Climate Change Response Paper, the Green Fund and its catalytic role, and various environmental taxes, including a carbon tax proposal;
- the difficulty in quantifying adaptation finance, with a recognition that adaptation finance cannot be confined to disaster response and "hard" adaptation like infrastructure, but needs to include building preparedness, public awareness, and data and information gathering;
- reducing risks of maladaptation;
- the need to build frameworks that allow for complementary roles between local and national governments; and
- the importance of pricing externalities not just for governments, but also from the viewpoint of institutional investors.

**Breakout Group II.2:** The report of this breakout group addressed:

- comprehensive plans and budget strategies for climate change, and country efforts to translate these into more concrete investment strategies;
- the role of economic growth and development in Nicaragua as an integral part of the country's strategy to eradicate extreme poverty and build resilience to climate change;

- examples from Ghana, Cambodia, Bangladesh and Viet Nam, where substantial domestic resources are being marshalled for climate purposes alongside international finance channeled through multi-donor trust funds;
- International Finance Corporation (IFC) efforts to support countries to mobilize investment in climate change solutions, the importance of ensuring that concessional resources for private sector action do not result in market distortions, and using funds to allow the World Bank and its partner financial institutions to do more than they would otherwise have been able to do;
- the role of intermediaries, such as the IFC, as honest brokers and designing interventions that meet country needs;
- the IFC's intermediary role in the Philippines, where the IFC found good liquidity in the market and more demand for guarantees to deal with risks that relate to uncertainties in the underlying investment climate;
- clarity on the legal and regulatory framework for renewable energy and energy efficiency in Viet Nam, and with less liquidity, a greater interest in having credit lines that allow for implementation (for example, the IFC was able to bring in Deutsche Bank and European Investment Bank co-financing for their Climate Technology Fund-supported programmes in Viet Nam);
- the introduction of new regulatory frameworks, such as those related to policy and pricing certainty, that in some countries allow greater and more cost effective private investment in renewable energy, for example, through the Renewable Energy Independent Power Producer programme in South Africa;
- political commitment in developing countries to incorporate climate change programmes and create the conditions that enable a diversity of forms of finance to flow towards programmes that strengthen climate resilience;
- a supply-led approach to finance that may be ineffective or inadequate if the needs and priorities of key actors in the local context are not taken into account, including in the private sector;
- the possibility of tensions between development activities that may strengthen resilience and the imperatives of embracing climate compatible growth, suggesting the need for new paths to prosperity;
- the need for greater coordination of efforts to respond to climate change on two levels: among emerging national policies and initiatives that seek to mobilize investment in climate change-related solutions; and countries coordinating with international partners that are interested in supporting them to mobilize climate-related investment;
- enabling greater support for climate finance from developed countries, recognizing the implications of their substantial fiscal challenges for scaling up finance;



Breakout session with Edith Kateme-Kasajja, Uganda, as discussion leader

- the fact that many countries are attempting to make existing channels and institutions more effective, and focusing on approaches that can help align public and private investment with climate-related objectives;
- innovative sources of finance, including the use of carbon revenues, taking into account that distressed carbon markets could have implications for future carbon finance mobilization; and
- the importance of using scarce public resources effectively together with the need for evidence of impact and results in order to maintain political support for climate finance within contributor countries.

**SESSION III:** Breakout Groups III.1 and III.2 discussed enabling environments and policy frameworks for effective deployment of climate finance.

**Breakout Group III.1:** The report from this breakout group addressed:

- a case study on Cambodia's domestic institutional arrangements for climate finance deployment, including efforts to align the national climate change strategy with long-term development;
- the challenge of multiple sources of funding and channeling them effectively to maintain the funding tone;
- the elements of effective policy frameworks, including a climate change framework or strategy accompanied by an action plan, integration of climate change into socioeconomic development, stakeholder participation, internal coherence within donor ministries and organizations, ensuring modalities are appropriate for specific needs and states of development within recipient countries, and legal frameworks;
- capacity building as a subject for further consideration at the next expert meeting;
- preparation of national institutions in readiness to access finance; and
- the need for an early and basic understanding of the carbon finance portfolio before potential recipient countries begin to prepare bids.

**Breakout group III.2:** The report from this breakout group addressed:

- the OECD's work on climate finance, including tracking climate finance and understanding effectiveness;
- valuable lessons from ODA on matching existing financial resources and areas for use, including the importance of building capacity so that all countries can access finance;

- the need to view climate finance effectiveness in light of the goal of providing 0.7 percent of GDP for development assistance;
- coordination among actors in the context of the growing number of actors working on climate change;
- the need for balance between finance for mitigation and adaptation, while taking into account country-specific considerations;
- the difficulty in tracking adaptation finance; and
- the role of CPEIRs as a self-assessment tool in the context of readiness for climate finance.

### **CLOSING PLENARY**

During the closing plenary on Wednesday afternoon, Co-Chair Storey invited participants to comment further on pathways for mobilizing scaled-up climate finance. He described how discussions at the First Meeting of Experts had focused on elements of pathways, notably the building blocks, sources, channels for delivery and timing. He noted the expectations of developing countries that further insight would be eventually shed on how developed countries would address their commitments.

Storey underscored further points for consideration, including: an examination of pathways in an analytical context; reporting and transparency; defining climate finance; and the practical realities and constraints on developed country parties regarding their budgeting processes and public finances.

Drawing the meeting to a close, Co-Chair Saño invited participants to respond to a series of questions, using electronic voting. Participants expressed satisfaction with the organization of the First Expert Meeting on LTF and its format. He noted that choices remained regarding the questions of pathways and enabling environments. He looked forward to the transition from a technical to a political discussion in September 2013 and closed the meeting at 4:03 pm.

### **UPCOMING MEETINGS**

**74th Meeting of the CDM Executive Board:** The Clean Development Mechanism (CDM) Executive Board will convene its 74th meeting to consider matters relating to the operation of the CDM. **dates:** 22-26 July 2013 **location:** Bonn, Germany **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **e-mail:** [secretariat@unfccc.int](mailto:secretariat@unfccc.int) **www:** <http://cdm.unfccc.int/EB/index.html>

**Second Meeting of Experts on Long-term Finance:** This meeting will address ways to mobilize scaled-up climate finance, and look at enabling environments and adequate



Participants at the First Meeting of Experts on Long-term Finance held in Makati City, the Philippines



policy frameworks for deployment of climate finance. **dates:** 19-20 August 2013 **location:** Bonn, Germany **contact:** Marenglen Gjonaj **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **e-mail:** mgjonaj@unfccc.int **www:** <http://www.unfccc.int>

**Fifth Meeting of the Standing Committee on Finance:** This meeting will consider matters relating to the finance mechanism of the UNFCCC. **dates:** 27-30 August 2013 **location:** Bonn, Germany **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **e-mail:** secretariat@unfccc.int **www:** [http://unfccc.int/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/items/6877.php](http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/6877.php)

**IPCC WG1-12 and IPCC 36:** The 12th session of Working Group 1 (the physical science basis) of the Intergovernmental Panel on Climate Change (IPCC) will be held in September to endorse its contribution to the fifth assessment report (AR5). IPCC 36 will then convene to consider WG1's contribution to AR5. **dates:** 23-26 September 2013 **location:** Stockholm, Sweden **contact:** IPCC Secretariat **phone:** +41-22-730-8208 **fax:** +41-22-730-8025 **e-mail:** ipcc-sec@wmo.int **www:** <http://www.ipcc.ch/>

**75th Meeting of the CDM Executive Board:** The CDM Executive Board will convene its 75th meeting to consider matters relating to the operation of the CDM. **dates:** 23-27 September 2013 **location:** Bonn, Germany **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **e-mail:** secretariat@unfccc.int **www:** <http://www.unfccc.int>

**Green Climate Fund Board Meeting:** The Board of the GCF will consider issues, including the business model framework, rules of procedure of the Board and arrangements between the Board and the COP of the UNFCCC. **dates:** 7-10 October 2013 **location:** Paris, France **contact:** Interim Secretariat **phone:** +49-228-815-1317 **fax:** +49-228-815-0349 **e-mail:** isecretariat@gcfund.net **www:** <http://gcfund.net/this-site/contact.html>

**IPCC 37:** IPCC 37 will meet to adopt and accept two methodology reports: 2013 Supplement to the 2006 Guidelines: Wetlands; and 2013 Revised Supplementary Methods and Good Practice Guidance Arising from the Kyoto Protocol. **dates:** 14-18 October 2013 **location:** Batumi, Georgia **contact:** IPCC Secretariat **phone:** +41-22-730-8208 **fax:** +41-22-730-8025 **e-mail:** ipcc-sec@wmo.int **www:** [http://www.ipcc.ch/scripts/\\_calendar\\_template.php?wg=8#.USZo6BwYj\\_Q](http://www.ipcc.ch/scripts/_calendar_template.php?wg=8#.USZo6BwYj_Q)

**Climate Investment Funds Trust Fund and Sub-Committee Meetings:** The Climate Investment Funds (CIF) Trust Fund and Sub-Committee Meetings will include meetings of: the Forest Investment Program (FIP) Sub-Committee; the Scaling Up Renewable Energy Program (SREP) Sub-Committee; the Pilot Program for Climate Resilience (PPCR) Sub-Committee; the Strategic Climate Fund (SCF) Trust Fund Committee; and the Clean Technology Fund (CTF) Trust Fund Committee. **dates:** 28 October-November 1 2013 **location:** Washington, DC, United States **contact:** CIF Admin Unit **phone:** +1-202-458-1801 **fax:** +1-202-729-7610 **e-mail:** CIFAdminUnit@worldbank.org **www:** <https://www.climateinvestmentfunds.org/cif/contact>

**22nd Meeting of the Adaptation Fund Board:** The Adaptation Fund Board will meet to consider issues such as the report of the 13th meetings of the Ethics and Finance Committee and the Project and Programme Review Committee. **dates:** 14-18 October 2013 **location:** Bonn, Germany **contact:** Adaptation Fund Board Secretariat **phone:**

+1-202-473-0508 **fax:** +1-202-522-3240 **e-mail:** secretariat@adaptation-fund.org **www:** <https://www.adaptation-fund.org/page/calendar>

**45th GEF Council Meeting:** The Global Environment Facility (GEF) will meet to approve new projects and provide guidance to the GEF Secretariat and agencies. **dates:** 5-7 November 2013 **location:** Washington, DC, United States **contact:** GEF Secretariat **phone:** +1-202-473-0508 **fax:** +1-202-522-3240 **e-mail:** secretariat@thegef.org **www:** <http://www.thegef.org/gef/contact>

**76th Meeting of the CDM Executive Board:** The CDM Executive Board will convene its 76th meeting to consider matters relating to the operation of the CDM, and will be held immediately prior to COP 19. **dates:** 4-8 November 2013 **location:** Warsaw, Poland **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **e-mail:** secretariat@unfccc.int **www:** <http://cdm.unfccc.int/EB/index/htm>

**19th Session of the Conference of the Parties to the UNFCCC:** The 19th session of the Conference of the Parties (COP 19) and the ninth session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP 9) will convene in Warsaw, Poland. **dates:** 11-22 November 2013 **location:** Warsaw, Poland **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **e-mail:** secretariat@unfccc.int **www:** <http://www.unfccc.int>

## GLOSSARY

AGF	UN Secretary-General's High-level Advisory Group on Climate Change Financing
COP	Conference of the Parties
CPEIR	Climate Change Public Expenditure and Institutional Review
GCF	Green Climate Fund
GDP	Gross domestic product
GEF	Global Environment Facility
IMF	International Monetary Fund
LTF	Long-term finance
MDB	Multilateral development bank
MRV	Monitoring, reporting and verification
NAMAs	Nationally appropriate mitigation actions
NCF	National Climate Fund
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
UNFCCC	United Nations Framework Convention on Climate Change

Meeting of Experts on Long-term Finance for Climate Change



LTF Co-Chair Naderev Saño, the Philippines (center), with staff from the Philippines