



Long-term Finance Bulletin

A Summary Report of “Scaling-up Climate Finance: Long-term Finance (LTF) Work Programme Wrap-up Event”

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A SUMMARY REPORT OF THE LONG-TERM FINANCE WRAP-UP EVENT: 10-12 SEPTEMBER 2013

The Work Programme on Long-Term Finance (LTF) Wrap-Up Event took place at the Hyatt Regency Hotel in Incheon, Republic of Korea, from 10-12 September 2013.

The LTF Wrap-up Event consisted of three thematic sessions: pathways for mobilizing scaled-up climate finance; enabling environments and policy frameworks for effective deployment of climate finance; and enabling environments and policy frameworks for mobilizing scaled-up finance. Participants convened in plenary sessions with presenters and discussants, followed by informal parallel breakout group sessions.

The meeting brought together approximately 100 participants representing, *inter alia*, developed and developing countries, multilateral development banks, the private sector and civil society.

While acknowledging progress made, many representatives drew attention to further work required on such issues as: climate finance definitions; predictability of financing; and the role of the private sector.

A Co-Chairs’ report identifying technical and political issues and outlining recommendations will be prepared, and transmitted to and considered by the nineteenth meeting of the Conference of the Parties (COP 19) to the UN Framework Convention on Climate Change (UNFCCC) in Warsaw, Poland, in November 2013.

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

At the 17th session of the Conference of the Parties (COP 17) to the UNFCCC, held in 2011, in Durban, South Africa, parties 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 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-level Advisory Group on Climate Change Financing (AGF) and the report on mobilizing climate finance prepared for the G-20, and considered lessons learned from fast-start finance.



Kyung Ho Choo, Vice Minister of Strategy and Finance, Republic of Korea, during his opening remarks

The Co-Chairs of the work programme, with the support of the UNFCCC Secretariat, were requested to prepare a report on the workshops for consideration by COP 18.

First Workshop on LTF: 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 identify options for financing climate action.

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<http://enb.iisd.mobi/>

Second Workshop on LTF: 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/yimbvol205num3e.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 LTF: At COP 18, in decision 4/CP.18, UNFCCC parties agreed to extend the LTF work programme 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 2013 extended work programme is designed to focus on areas where it can add value, building on the 2012 work programme (decision 2/CP.17 on outcome of the *Ad Hoc* Working Group on Long-term Cooperative Action) and taking into account related processes and bodies, such as the Standing Committee on Finance, the Green Climate Fund (GCF) and the Adaptation Fund, as well as the work programmes on: finance for reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries (REDD+); loss and damage; and nationally appropriate mitigation actions.

Other Elements of COP 18 Decisions on LTF: During an information event in Bonn on 3 May 2013, the Co-Chairs of the extended work programme identified other elements of COP 18 decisions on LTF for consideration, such as: encouraging 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); inviting 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 calling 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).

Web-based and Other Activities Related to the Extended Work Programme: To supplement submissions by parties and other bodies under the Convention regarding 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;
- An 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 and the second part of the second session of the ADP during the June 2013 Bonn Climate Change Conference (4 and 10 June).

The First Meeting of Experts on LTF: The First Meeting of Experts on LTF convened from 16-17 July 2013, in Manila, the Philippines, to focus on specific aspects of the extended work programme on LTF. 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 IISD Reporting Services summary of the First Meeting of Experts on LTF can be found at: <http://www.iisd.ca/download/pdf/sd/crsvol205num7e.pdf>

The Second Meeting of Experts on LTF: The Second Meeting of Experts on LTF took place in Bonn, Germany, from 19-20 August 2013, where participants considered: enabling environments and policy frameworks for effective deployment of climate finance; public policy and financial instruments that facilitate the mobilization of climate finance for mitigation and adaptation activities in developing countries; and parameters for identifying pathways for mobilizing scaled-up climate finance. The IISD Reporting Services summary of the Second Meeting of Experts on LTF can be found at: <http://www.iisd.ca/download/pdf/sd/crsvol205num8e.pdf>

REPORT OF THE MEETING

LTF Co-Chair Naderev Saño, the Philippines, opened the meeting on Tuesday morning, 10 September, welcomed delegates and thanked the Republic of Korea for hosting the event.

In his opening remarks, Kyung Ho Choo, Vice Minister of Strategy and Finance, Republic of Korea, highlighted the urgent need for action on climate change amid increasingly serious climate impacts as the reason parties had set substantial long-term finance goals. He said the Republic of Korea would work closely with parties and the UNFCCC Secretariat on long-term finance and highlighted the need to map pathways from short-term to long-term financing. Vice Minister Ho Choo observed that convening this meeting in Incheon was appropriate as the GCF Secretariat would be located in Incheon. He concluded by announcing that his country would provide US\$40 million for developing country climate action.

Co-Chairs Saño and Mark Storey, Sweden, welcomed Ho Choo's remarks and the new financial pledge. Saño observed that the meeting would seek to "cross the bridge" from productive technical discussions to effective guidance for ministers at COP 19.

PLENARY SESSION I: PATHWAYS FOR MOBILIZING SCALED-UP CLIMATE FINANCE

After the opening session, Co-Chair Saño provided an overview of the 2013 LTF process, emphasizing that the dialogue has brought out useful experiences from participants and experts through a range of interactive meetings, workshops and online activities. First, he highlighted a major overarching theme of the "push" and "pull" factors: enabling environments with policies and tools to "push" finance out the door from developed countries; and enabling environments in developing countries, including absorptive capacity, to "pull" finance in. He stressed other main themes of: transparency of information on pledges, delivery and results; definitions of climate finance; and the need for a balance between mitigation and adaptation. He reminded participants that the Co-Chairs must develop a report to submit to finance ministers at the COP in Warsaw.

Co-Chair Storey gave a presentation on "Pathways for mobilizing scaled-up climate finance: Co-Chairs reflections on emerging themes" and offered insights on the pathways discussion that have emerged during the 2013 LTF process. He noted the pathways concept has a crucial role in meeting the US\$100 billion climate finance commitment by 2020. He identified three main parameters of pathways: sources funding, including public, private and alternative sources; channels of delivery, including bilateral and multilateral; and timing of the delivery of finance.

He also identified four key sub-themes of the pathways discussion. First, he highlighted a need for aggregating public finance overall, then noted that aggregation is particularly important for private sector finance, due to difficulties in attributing private sector financial flows to a particular country. He noted a second sub-theme, transparency, as crucial to providing consistent ways for developed countries to report on climate finance. He mentioned that because the UNFCCC has not yet finalized new guidelines for developed country

reporting in their national communications, the LTF has sparked a useful discussion on methods for providing regular and comparable information on financial commitments.

On defining climate finance, the third sub-theme, Co-Chair Storey asked participants to suggest definitions of climate finance that can operate within the specific UNFCCC context of US\$100 billion by 2020, noting that the first round of biennial reports from developed country parties may assist in arriving at a definition. Lastly, he observed that the experiences of parties with budgeting processes have helped identify barriers and challenges in projecting public financial expenditures, mainly annual budgeting processes that require parliamentary approval. Nonetheless, he argued that solutions are available—such as making budget projections public without indicting a firm commitment—to provide assurances of future climate finance.

Paul Watkinson, France, provided some observations on the LTF work programme's challenges in identifying pathways. He noted the value of the work programme in seeking to draw out common understanding, emphasizing that the key task for the group would be to convey to political decision makers recommendations that cut through, without oversimplifying, the complex issues around financing. Observing that the G-20 in 2013 did not make adequate progress on climate finance, he urged Australia, as the incoming 2014 G-20 chair, to take this forward in a significant manner.

Citing a recent EU submission to the UNFCCC on finance, Watkinson said transparency on implementation would be key to achieving climate finance goals, adding that that the LTF work programme needs to support the work of the Subsidiary Body for Scientific and Technological Advice in developing reporting guidelines for financial commitments. He said a big challenge would be to move beyond existing tracking of public finance to more effectively monitor the extent of private climate finance. Watkinson stressed that waiting for a perfect definition of climate finance should not hold up financing. He noted that separately identifying adaptation funding, including climate resilience funding, was difficult in cases where it already formed a part of official development assistance (ODA).



A view of the dais during Plenary Session I (l-r): Paul Watkinson, France, Paul Oquist, Nicaragua, LTF Co-Chairs Naderev Saño and Mark Storey, and Seyni Nafo, Mali

On pathways for climate finance, Seyni Nafo, Mali, observed that while the report of the AGF addressed the taxonomy of barriers, a shortcoming of the report was that it relied heavily on a robust price for carbon. He said lessons could be drawn from the experience of fast-start finance, where in terms of transparency, reporting had been quite rich.

On the mobilization of private funding, Nafo observed that the attribution of private flows to individual countries is difficult in a global economy and that addressing barriers to LTF was more rewarding. He highlighted three requisite elements: better packaging of initiatives and bringing down transaction costs; strategic, regional and sector-specific focus; and greater scale by engaging large capital and investment flows.

On enabling environments in developing countries, he noted that the debt sustainability analysis framework for low-income countries did not distinguish between brown and green investment, adding that brown investments are usually more cost competitive, which acted as a perverse incentive.

Noting that transparency and accountability go together, he called for looking at the spectrum of definitions for climate finance used in literature and the need to understand the assumptions and methodology used by countries, with lessons to be drawn from national experiences.

Nafo said adaptation finance had received very little attention and was linked to mitigation through the Adaptation Fund, for example, which is tied to a levy on the Clean Development Mechanism (CDM) and the carbon price, which he said is in crisis. He also noted that adaptation was only addressed in terms of impact and vulnerability and not in the context of opportunities, and stressed the importance of considering the instruments, arrangements and mechanisms used, and strengthening and scaling up adaptation initiatives.

Paul Oquist, Nicaragua, presented on climate financing pathways. He surveyed the cost implications of delaying climate investment beyond 2020, and warned of a “lost decade” to 2020 unless quick progress was made. Oquist noted that the 2010 AGF report and the 2011 World Bank report, prepared for the G-20 Cannes Summit, indicated that the bulk of the US\$100 billion commitment would need to come from the private sector, particularly given developed countries’ fiscal constraints that limit public funding.

However, he emphasized that only public funding would work for adaptation action. Observing that the recent G-20 meeting in Saint Petersburg recognized that the UNFCCC should take forward work on climate finance, he urged COP 19 to take a decision to continue the LTF work programme.



Seyni Nafo, Mali

Erik Haites, Margaree Consultants, provided a briefing on the the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (Working Group III on mitigation), noting that it would include a chapter on climate finance for the first time. He said that although this initial work focused on mitigation, the chapter would not make recommendations. He said the chapter represented an attempt to bring together available data sources on the level and nature of finance under two broad themes: global climate finance; and finance delivered specifically to developing countries.

In the ensuing question-and-answer session, Olai Uludong, Nauru, enquired about alternative sources of adaptation financing. Diann Black Layne, Antigua and Barbuda, asked how financing commitments could be defined and whether these commitments could be incorporated into a 2015 climate agreement. She also highlighted the need for definitions, such as for carbon finance.

On enabling environments, Ray Kwon Chung, UN Economic and Social Commission for Asia and the Pacific (ESCAP), noted the need for discussions on reviving the carbon market and on enhancing political commitment to climate finance.

Bernarditas Müller, the Philippines, suggested that donor



Bernarditas Müller, the Philippines

governments could provide clear regulatory frameworks to spur private sector investment in developing countries. On sources, Tomohiro Matsumoto, Japan, pointed to a lack of consensus on specific sectors for mobilizing climate finance, noting that, therefore, discussing the aviation and maritime sectors in this context was not appropriate.

Tebao Awerika, Kiribati, expressed hope that the LTF dialogue would provide clarity on the requirements of donor countries so that developing countries can better position themselves to access funds. Carlos Fuller, Belize, suggested creating a baseline level of financing for 2013, which should be at least at the fast-start level.

On visible pathways for climate finance, Maria Laura Rojas, Colombia, noted that managing, projecting and making forecasts in national budgets was possible. Nafo proposed basing adaptation finance numbers on in-country needs and plans, and then aggregating upward.

Jessica Brown, United States (US), emphasized that the biennial report was the main vehicle for reporting to the UNFCCC. She noted the importance of demonstrating that financial commitments are not declining, indicating that her country would be voluntarily reporting on 2013 numbers at COP 19. However, she clarified that the numbers would only reflect public finance.

Wrapping up the session, Watkinson noted huge opportunities to build political will, observing that in 2013, France had provided €420 million and was committed to maintaining this level over the next few years. He underscored that the right tools and approaches were needed, and not another target for 2015, suggesting that a single figure would not resolve individual challenges.



Paul Oquist, Nicaragua

Oquist cautioned against becoming too “mesmerized” by the US\$100 billion pledged for LTF, saying that it was a “goal not a commitment.” He called for a needs-based approach to refine the figures and for prioritizing operationalization of the GCF.

Co-Chair Storey noted concerns expressed that the enabling environment discussion is focused on what developing countries are doing, noting that what was required was both a “push and pull” from developed and developing countries.

BREAKOUT GROUPS: On Tuesday afternoon, representatives convened in three parallel breakout group sessions facilitated by Abhishek Acharya, India, Erik Haites, Margaree Consultants, and Amal-lee Amin, E3G, to consider the key features and elements that will underpin likely pathways for mobilizing scaled-up climate finance to US\$100 billion per year by 2020 from multiple sources based on insights from the two previous expert meetings.

Participants were invited to focus on the following issues:

- Barriers to longer-term planning for budgetary resources and country experiences and practices adopted to overcome them;
- Identifying pathways for public, private and alternative sources at the aggregate level for the period leading up to 2020; and
- Ways and means to achieve greater transparency, including through enhanced clarity on the sets of definitions of climate finance.

Representatives were also asked to identify:

- The relevant aspects/parameters for identifying likely pathways for international finance;
- The main challenges in defining and developing pathways for public, private and alternative sources;
- Challenges specific to adaptation finance that could be taken into consideration when defining and developing pathways from multiple sources of finance;
- Respective roles of public and private sources for mitigation and adaptation finance; and
- Likely scenarios and mixes of climate finance for the period 2013-2020, and the pros and cons based on criteria, such as predictability, adequacy, additionality, sound budgetary principles and political feasibility.

PLENARY REPORTS AND DISCUSSIONS: Reporting back to plenary after the breakout group sessions, Acharya highlighted findings from Breakout Group I, including:

- the important role of regional development banks, including working closely with projects;
- that transparency is important to gain a better understanding of where climate finance is coming from and how it is being spent;
- the need for a bottom-up approach to building finance flows, including the need for capacity building in developing countries; and
- the significance of climate finance predictability and stability.

Haites reported on Breakout Group 2, noting that issues discussed included:

- the potential value of disaggregation of reporting to provide greater clarity on the mix of public, private and alternative sources of finance, as well as interim milestones for each of these components;
- improving understanding of different funding sources’ leverage ratios as a way to look into the respective orders of magnitude needed from different funding sources;
- reporting of national budget projections for public funding as giving some indication of progress towards the LTF goal, recognizing that some projections were sensitive to market factors, such as movements in the carbon price;
- fast-start financing reporting had been constructive and should continue until the UNFCCC biennial reporting’s effectiveness was clear; and
- conversely, reporting of the extent of leveraged projects in developing countries help bolster LTF support in developed countries.

On Breakout Group 3, Amin reported that issues discussed included:

- the need to keep in mind that the climate finance required will ultimately be much greater than the US\$100 billion target if warming is to be limited to two degrees Celsius;
- the value of a roadmap to the 2020 target, with specific actions identified;
- difficulties in separating out mitigation and adaptation financial flows, including where some projects deliver both outcomes; and
- the potential for a per capita approach to finance reporting.

In the ensuing discussion, Dallas Young, Cook Islands, expressed concern over any per capita approaches to tracking funding. Stefan Agne, European Commission, noted that mobilization of funds could be iterative, linking flows to project completion in developing countries. Athena Ballesteros,



Breakout groups convened to further discuss pathways for mobilizing scaled-up climate finance.

World Resources Institute (WRI), outlined key findings from WRI's recent research on climate finance flows, noting that in recent years, despite domestic economic constraints, new money had been found and channeled to developing countries. She also noted Germany's effective tracking of fast-start finance and that developing countries' private sectors were engaging through fast-start finance partnerships.

Participants then responded to a question submitted via twitter on specific examples of public funds used to leverage private sector investment with an EU example of a €40,000 energy audit catalyzing a US\$300 million energy efficiency private sector project. Paul Steele, UN Development Programme (UNDP), proposed considering the elimination of maladaptive climate measures, such as fossil fuel subsidies, as part of climate finance. Finally, Rojas said her government's budgeting procedure, which includes yearly projections from 2014-2024, shocks to the economy and four-year milestones, has helped them plan for and absorb climate finance.

PLENARY SESSION II: ENABLING ENVIRONMENTS AND POLICY FRAMEWORKS FOR EFFECTIVE DEPLOYMENT OF CLIMATE FINANCE

On Wednesday morning, Co-Chair Saño introduced the second plenary session on enabling environments and policy frameworks for effective deployment of climate finance. He noted that from shared experiences on climate finance deployment, including fast-start finance, the work programme had identified several key enablers but also some key questions for further consideration. In relation to country ownership, Saño outlined that: a needs assessment should underpin climate finance priorities; finance should be aligned with domestic systems; and in measuring results, project- and sector-level monitoring should include a focus on the quality of outputs. He identified one of the access challenges as being a disjunct between donor and recipient processes and procedures.

Saño observed that multiple channels of finance meant that improving delivery coherence and coordination was critical. He also identified three key areas for further consideration: settling on a comprehensive list of lessons from the fast-start finance period; how country ownership has affected implementation; and how different tools were needed to measure effectiveness for different kinds of projects, particularly adaptation and mitigation projects.

Rachel Fry, New Zealand, emphasized important parallels between traditional development cooperation policy approaches on effective finance deployment and those being considered for climate finance. She surveyed the evolution of finance approaches in the development community over the last decade, including in the Paris and Busan meetings on improving development cooperation, and noted key trends towards increasing levels of country ownership, alignment with domestic strategies and systems, mutual accountability,



Rachel Fry, New Zealand

and coherence and coordination of finance. Fry said New Zealand considered that many of these principles had resonance for climate finance, but said retaining an explicit focus on the effectiveness of achieving climate outcomes was important. She indicated New Zealand wished to propose a non-binding

climate finance "Warsaw platform" for consideration at COP 19, drawing from the development community's principles, with a specific focus on climate outcomes.

Jan Corfee-Morlot, Organisation for Economic Co-operation and Development (OECD), presented on the OECD's experience in climate finance, which included: improving the data available on climate finance; developing methods for measuring, reporting and verification of US\$100 billion; promoting effective climate finance; and providing guidance to both developed and developing countries on enabling environments. She said the OECD has sophisticated, user-friendly data from bilateral funders on climate aid with two years of adaptation data and ten years of mitigation data, showing an increase in climate finance of up to US\$21 billion per year (15% of ODA) from 2010-2011. She mentioned that the OECD provides development statistics and calculates finance that is not traditional aid, including private sector flows, export credits, loan guarantees and non-concessional aid. Corfee-Morlot also highlighted an OECD research initiative on methodologies to track ODA sums and mobilization, with results expected to be available in early 2014.

On the subject of principles of effective climate finance, Corfee-Morlot emphasized: strengthening of national climate change policy and planning; use of national government systems where appropriate; systems for sharing lessons in host countries; accountability at the project and programme level; and monitoring and evaluation frameworks, noting the useful expertise of the larger development aid community.

A presentation by Steele highlighted practical lessons from UNDP's work with developing countries. Emphasizing that climate finance must work within national budgeting processes, he recommended establishing climate change units within finance ministries or inter-ministry climate finance groups. On delivery of finance, he suggested local expenditure targets where a certain percent of national climate money must reach the local level, as Nepal has done with an 80% local expenditure target. He also noted the importance of looking into the greenhouse gas impacts of non-climate finance, especially capital budgets and structural projects. On accountability and monitoring, he proposed performance-based budgeting mechanisms, tracking codes for climate change expenditures, and consideration of both cost-effectiveness and distributional impacts.



Paul Steele, UN Development Programme

Brown noted that donor countries are working to make climate finance information requirements more streamlined and comparable, but said this is a challenging task since processes differ from country to country. She responded to the claim that donor countries might be exaggerating climate flows by saying that the US had looked carefully at its own financial assistance programmes to identify what could accurately be characterized as climate finance flows. She also said the US hoped the LTF work programme could help identify actions developing countries can take to build on work already done and strengthen their enabling environments to be conducive to attracting climate finance. She asked the discussants for examples of successful country actions.



Jan Corfee-Morlot,
Organisation for Economic
Co-operation and
Development

Fry highlighted processes to assess country needs and priorities as being critical to attracting finance flows. Steele said that there should not be separate institutionalized climate funds and processes; rather, climate finance should be nested within established broader development finance processes. Amjad Abdulla, Maldives, noted that institutional coordinating processes were being strengthened in many countries, including through the creation of climate change departments in some countries. Corfee-Morlot

noted the value of developing partner countries bringing their own resources to the table, as this usually empowers them in terms of priority setting. She mentioned that a lot of useful information about climate flows is publicly available through the OECD ODA database, and said that the OECD reviewed data in response to queries about whether specific projects constituted climate finance.

Wensong Guo, China, called for a focus on donor countries' enabling environments. Acharya queried whether ODA fell within the criteria of climate finance. Uludong stated that developing countries were looking for a robust regulatory signal from developed countries that would support a strong carbon price. Carmen Nguello, El Salvador, highlighted direct access to finance as a key issue, noting that while some countries have made efforts to strengthen enabling environments, finance sometimes still did not flow. Rojas sought examples from OECD countries that might be instructive as examples of how to pull in scaled-up climate finance.

Abudallah called for a clear understanding of readiness and delivery, in terms of climate finance and for using public finance strategically. He observed that the process of enhancing enabling environments should be country-driven and private funding should target clear transformational objectives in developing countries. He said the focus for enabling environments should not only be on attracting investments, but also on how national institutions can be strengthened.

BREAKOUT SESSIONS: On Wednesday morning, representatives convened in three parallel breakout groups to consider the issue of enabling environments and policy frameworks for the deployment of climate finance. These groups were facilitated by: Pak Sum Low, Academy of Sciences, Malaysia, and Bond University, Australia; Athena Ballesteros, WRI; and Daisy Streatfeild, United Kingdom (UK). The breakout groups were asked to consider the following issues:

- Types of policies and financial instruments that attract climate finance, from public and private sources;

- The suite of policy tools being used in developing countries to mobilize private sector investments;
- The pros and cons of these different instruments based on developed and developing country experiences;
- Enabling environments needed in developed countries to mobilize climate finance more broadly from all sources of finance;
- Barriers to mobilizing private sector investments in developed countries for climate change mitigation and adaptation activities in developing countries; and
- Policy measures that can be introduced in both developed and developing countries to reduce these barriers.

PLENARY SESSION III: ENABLING ENVIRONMENTS AND POLICY FRAMEWORKS FOR MOBILIZING SCALED-UP CLIMATE FINANCE

On Wednesday afternoon, Co-Chair Storey introduced this session, identifying emerging themes on developed country mechanisms to mobilize private funding, including public-private partnerships, and pure financial instruments, such as green bonds and market mechanisms. In addition, he proposed that enabling environments must contain clear policy signals, such as an emissions reduction target or a carbon price. Respondents then discussed: the suite of policy tools identified from country experiences; the construction of enabling environments; and the implications of an increased role for private sector finance.



Josué Tanaka, European
Bank for Reconstruction and
Development

Josué Tanaka, European Bank for Reconstruction and Development, underlined that two-thirds of their US\$80 billion portfolio has a private sector component. He said that sectoral policies and national investment climates are key to generating private sector action. He mentioned that in their portfolios, one euro of public money for technical assistance in industrial energy efficiency yields €1100 of private sector investment.

Brown highlighted actions the US has taken to improve their own enabling environment to “push finance out the door,” including additional staff capacity of the Overseas Private Investment Cooperation and coordination of a side group of donor countries to improve delivery of climate finance. She also emphasized the US commitment to end all new support for overseas coal power plants, except in very rare circumstances.

Black-Layne observed that the “pull” or demand from developing countries was primarily for brown technologies and that the “push” for sustainable technologies represents only a small fraction of the finance available for brown technologies. She noted that this constituted a massive market failure, proposing that an international agreement or protocol on finance should become part of the global agreement being negotiated by 2015, in order to ensure that investment incentives for green and brown technologies are more balanced. She said such a protocol could also set out relationships between various key finance institutions, such as the GCF and the Global Environment Facility (GEF). Black-Layne observed that this protocol should also drive higher levels of flows, as US\$100 billion was insufficient, given the



Pak Sum Low, Academy of Sciences,
Malaysia, and Bond University, Australia

current scientific findings. In relation to adaptation activities, she noted that in developing countries, a large part of the cost is borne domestically by individuals and business owners at higher interest rates than in developed countries.

Oquist presented a case study of Nicaragua's approach to creating an enabling environment and policy framework for climate finance. He explained that Nicaragua had concentrated on establishing good general economic and fiscal policy settings to drive its broader economic development, which had largely created an attractive environment for investment. He said that, in this context, there was now significant climate investment in a range of renewable energy projects in Nicaragua, which was expected to increase renewable energy to 90% of the electricity supply in 2020. Resulting oil import substitution would save US\$600 million per annum by 2020. Oquist noted that the greatest external challenge Nicaragua now faced was climate change impacts, noting that the frequency of costly tropical depressions had increased significantly.

During the discussion, Agne and Watkinson highlighted the importance of internal climate investment targets and project appraisal practices within national development banks. They said the European Investment Bank (EIB) has an internal target to invest a minimum of 25% of its annual funding toward climate change projects, and similarly, the French Development Agency (AFD) invests 50%. The EIB also calculates the carbon footprints of prospective projects, and the AFD takes into account mitigation and adaptation factors in assessing each potential project.

BREAKOUT SESSIONS: On Wednesday afternoon, representatives convened in three parallel breakout group sessions facilitated by Gemma O'Reilly, Ireland, Butch Bacani, United Nations Environment Programme Finance Initiative, and Gary Theseria, Malaysia. The breakout groups were asked to further reflect on enabling environments and policy frameworks for mobilizing scaled-up climate finance, including consideration of:

- commonly agreed enablers to deploy climate finance effectively; and
- relevant lessons to be drawn from internationally agreed principles for aid effectiveness.

PLENARY REPORTS AND DISCUSSIONS: SESSIONS II AND III

Co-Chair Saño opened the plenary session on Thursday morning and invited the facilitators of the previous day's breakout groups on deployment and mobilization of scaled-up climate finance to report back on the discussions.

BREAKOUT GROUP REPORTS ON ENABLING ENVIRONMENTS AND POLICY FRAMEWORKS FOR EFFECTIVE DEPLOYMENT OF CLIMATE FINANCE:

Streatfeild recalled that the Co-Chairs had asked groups to focus on lessons learned from fast-start finance and to consider the extent to which the development cooperation finance deployment principles were applicable to climate finance. She reported that her group discussed: the importance of the predictability of finance flows, given budget cycles in both contributing and partner countries; the challenges of coordinating across a number of different financing channels; the need for the GCF to take account of differing challenges faced by differing sizes of economies; and the need for climate finance to maintain broad consistency with aid effectiveness principles, but to keep climate finance accountability separate.

Ballesteros reported that her group discussed the importance of agreed definitions for key climate finance elements and positioning climate finance in the context of major development themes, such as post-2015 sustainable development goals. Group participants also considered the importance of building a dialogue between donor and recipient countries on deployment, including on challenges for small countries in coordinating across multiple donors. They also noted that the fast-start finance period had demonstrated the need for early country engagement in priority setting, and that developed and developing countries could usefully share tools and methodologies for reporting on climate finance implementation.

Low reported on discussions in his group, which included a focus on the need for guidance on assessing climate finance effectiveness and the potential value of standardized approaches to the monitoring and evaluation of climate finance projects. He said the group also emphasized the value in countries sharing experiences in bolstering their enabling environments.

During the ensuing discussion, participants emphasized the importance of country ownership in both improving enabling environments and in the deployment of finance. Amin said that enabling environments are important for the role of developing countries in the "push-pull" dynamic, pointing to Norway's need for more forested developing countries to absorb their REDD+ funding. Müller said improvements in absorptive capacity should be country owned.

BREAKOUT GROUP REPORTS ON ENABLING ENVIRONMENTS AND POLICY FRAMEWORKS FOR MOBILIZING SCALED-UP CLIMATE FINANCE:

Breakout group representatives then turned to Wednesday afternoon's theme and reported their findings on enabling environments and policy frameworks for mobilizing scaled-



Participants during one of the breakout groups on enabling environments and policy frameworks for mobilizing scaled-up climate finance



L-R: LTF Co-Chairs Naderev Saño, Philippines, and Mark Storey, Sweden, at the end of the meeting

up finance. There was general agreement that spurring private sector finance is crucial and should align with the development priorities of the recipient country.

Lorena Gonzales, Mexico, listed several tools her group had identified for developed countries to mobilize finance, including public-private partnerships, risk mitigation insurance and political risk insurance. She noted that private sector action is driven by competitiveness and profit margins, as well as perceived risk, vulnerability and technical capacity in recipient countries.

Theseira said his group proposed tools, such as securities, stocks and bonds, and win-win scenarios, including private investment in energy efficiency and renewable energy. They also suggested that countries with challenges like economies of scale and geographical remoteness could pool resources to mobilize private sector investment. O'Reilly said her group considered that smaller actors can have large and durable impacts, and identified lending by local banks and actions to lower the cost of credit (like concessional loans or credit lines to smaller banks) as important tools to drive transformative impact.

The groups also considered specific examples of spurring private sector investment in developing countries. O'Reilly shared examples of restructuring the electricity market in Pakistan, tax exemption for renewable energy, using guarantees by the Multilateral Investment Guarantee Agency, and political and policy risk insurance. There was also agreement that improving enabling environments in developing countries is important, because countries perceived as riskier by the private sector have higher barriers. Breakout groups also discussed the importance of education and awareness raising among private sector actors, especially local banks.

Breakout group discussions also pointed to several bigger-picture issues. Theseira stressed the global need for US\$10 trillion cumulative capital investment during 2010-2020 and immediate significant investment in developing countries. They suggested that the risk-reward ratio is not yet compelling for the private sector to mobilize this amount, and that, therefore, governments' role is to develop investment-grade products that create a level playing field and reduce policy and regulatory risk. On adaptation finance, some representatives suggested that it not be limited to infrastructure and disaster risk insurance, but also include healthy ecosystems as buffers, noting links to loss and damage discussions under the UNFCCC. She said a particular challenge is slow and constant impacts.

Lastly, both the breakout groups and participants looked to the emerging GCF as a crucial element of the climate finance architecture. They said LTF participants should encourage the private sector in their own countries to engage with the GCF.

Steele highlighted the insurance industry, social protection schemes and humanitarian aid as possible sources of climate finance. He said climate finance should be directed at disaster risk reduction and not only towards responding to climate change impacts.

Oquist observed that Petrocaribe oil agreements are providing funds for 19 small developing countries, resulting in half the oil bill being converted into long-term development finance. He described this as the "most effective innovation in finance for development in the 21st century."

Ballesteros called for drawing lessons from the Climate Investments Funds (CIF), noting that discussion on these funds during the LTF meetings had been limited.

Nauman Bashir Bhatti, Pakistan, observed that while the private sector had a key role in overall climate finance, Pakistan's experience was that adaptation finance was dominated by public sources. Brown stressed the role of the work programme should be to look at ways to engage with the massive potential flows of private sector finance, noting that, in 2014, the Standing Committee would look at the potential for private sector involvement in adaptation.

CLOSING PLENARY

Co-Chair Saño introduced the final plenary session, stating that the Co-Chairs would offer reflections on what has been achieved under the work programme in 2013 and then give participants the opportunity to present their views.

Co-Chair Storey presented on the high-level messages emerging from the three strands of the work programme: pathways, deployment and mobilization.

On pathways, he noted that the work programme had highlighted the following issues:

- Climate finance levels can more readily be measured initially in aggregate, particularly given difficulties in attributing private flows;
- Transparency on both deployment and effectiveness of climate finance was the key to trust-building among countries (noting fast-start finance was a good basis for future reporting, with some countries prepared to continue annual reporting);
- Agreeing on definitions for key climate finance terms (such as pathways, effective deployment and mobilization) is important; and

- Sharing lessons learned from national experiences (for example, on good budgetary practice for tracking public finance flows and measuring impact) is valuable.

On effective deployment, he noted the following enablers identified by the work programme, both from finance “pull” and finance “push” perspectives:

- The importance of country ownership in identifying financial needs, aligning finance with domestic budgetary systems, and measuring/assessing effectiveness;
- Streamlining and facilitating access to contributing countries’ climate finance sources; and
- Coherence and coordination among the various contributing and recipient country institutions and processes.

On mobilization of climate finance from donor countries, Co-Chair Storey noted a number of key findings:

- Donor country public policies can drive private finance (for example encouraging green bonds, microfinance, etc.); and
- donor countries can put in place instruments that provide clear policy signals, for example, renewable energy targets, emission reduction targets and carbon pricing.

Reflecting on the LTF discussions in 2013, Co-Chair Saño said the process had been open, transparent and inclusive, and had engaged climate finance stakeholders. He said institutional knowledge on climate finance, as it relates to identifying pathways, enabling environments and policy frameworks, has increased.

Saño emphasized the importance of continued synergies with other mechanisms and processes, including the Technology Executive Committee, the Standing Committee on Finance, the Adaptation Committee and the ADP. He urged representatives not to lose sight of the “big picture,” called for clarity on adaptation finance, and acknowledged concerns raised regarding the predictability of climate finance.

Co-Chair Storey expressed satisfaction with the “constructive atmosphere” of the LTF deliberations, characterized by focused discussions. He said the objective had been strong engagement with stakeholders, observing that synergies should be exploited and differences identified and respected. He said the “push-pull” discussion had been valuable, describing it as “getting finance out of the door and onto the ground.” Storey observed that, although the private sector financing discussion had evolved, reservations remained regarding the role of the private sector.

Representatives then offered reflections on the 2013 LTF activities, proposing items for inclusion in the Co-Chairs’ summary, and thoughts on continuing the LTF programme. Many representatives said the 2013 work programme had spurred new and useful ideas for the climate finance challenge, and had been an important and constructive forum. On topics for the summary report, Agne noted the impact the procedures of finance ministries can have on making finance flow. Rojas emphasized the need for the more specific development of pathways, including milestones and periodic review. She asked whether the Co-Chairs could provide inputs to the pre-COP in addition to the COP.

Looking ahead, most representatives expressed views that the LTF work programme, if continued, should focus on linking finance with its mitigation impact. Richard Sherman, South Africa, stated that it would be logical to continue the LTF work programme only if it helps achieve mitigation goals, including an assessment of whether US\$100 billion is enough. He warned against the LTF simply becoming another process, or focusing only on mobilizing climate finance without the broader view of its mitigation impact. Abdulla and Müller stressed the LTF should spur global action and directly support the aim of the UNFCCC to limit warming to two degrees Celsius. Streatfeild said many countries are scaling up their

finance, and the UK will scale up each year through 2016. Because of this, she stressed that the LTF should also focus on effectiveness and results, because every penny of climate finance must have maximum impact.

Wrapping up the entire 2013 LTF work programme, Co-Chair Storey noted that the next step would be to prepare a Co-Chairs’ summary and recommendations. He said he and Saño would identify both technical and political issues in their report. Co-Chair Saño thanked all representatives for a “meaningful exchange” this year and noted the importance of the work on LTF, as finance may “unlock” other issues under the UNFCCC.

Co-Chair Saño then thanked the governments of Norway and the Republic of Korea for making the meeting possible, and acknowledged the ESCAP Subregional Office for East and North-East Asia, UNFCCC Secretariat staff, local hosts, and all participants for their support and contribution. He also thanked those who had participated virtually, noting that the meeting had set a UNFCCC social media record with 386,000 twitter accounts reached, six million impressions recorded, and approximately 600 live views and 400 downloads of the webcasts per day. Co-Chair Saño closed the meeting 1:19pm.

UPCOMING MEETINGS

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>

GCF Board Meeting: The GCF Board will consider such issues as the business model framework, rules of procedure of the Board, and arrangements between the Board and the COP. 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>

Joint Workshop on the Framework for Various Approaches, Non-Market-Based Approaches and the New Market Mechanism: The UNFCCC Secretariat is organizing this joint workshop, which will consider examples of market and non-market approaches, means to stimulate the economy and private sector participation, framework for various approaches, and ensuring environmental integrity. 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>

Regional Workshop to Promote International Collaboration in Facilitating Preparation, Submission and Implementation of Nationally Appropriate Mitigation Actions: This UNFCCC workshop will focus on the promotion of developing country mitigation actions. dates: 23-27 September 2013 location: Mexico City, Mexico contact: UNFCCC Secretariat phone: +49-228-815-1000 fax: +49-228-815-1999 e-mail: secretariat@unfccc.int www: <http://www.unfccc.int>

IPCC 37: IPCC 37 will meet to adopt and accept two methodology reports: the 2013 Supplement to the 2006 Guidelines: Wetlands; and the 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

Workshop on Technical And Scientific Aspects of Ecosystems with High-Carbon Reservoirs not Covered by Other Agenda Items Under the Conventions: The UNFCCC Secretariat will organize this workshop with a focus on high carbon marine areas. dates: 24-25 October 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>

Climate Investment Funds Trust Fund and Sub-Committee Meetings: The 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-1 November 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 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>

UNFCCC COP 19: 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

ADP	<i>Ad Hoc</i> Working Group on the Durban Platform for Enhanced Action
AGF	UN Secretary-General's High-level Advisory Group on Climate Change Financing
CDM	Clean Development Mechanism
COP	Conference of the Parties
ESCAP	UN Economic and Social Commission for Asia and the Pacific
GCF	Green Climate Fund
GEF	Global Environment Facility
IPCC	Intergovernmental Panel on Climate Change
LTF	Long-term finance
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
REDD+	Reducing emissions from deforestation and forest degradation in developing countries and conservation, sustainable forest management, and enhancement of forest carbon stocks
UNDP	UN Development Programme
UNFCCC	UN Framework Convention on Climate Change
WRI	World Resources Institute



LTF Co-Chairs with members of the UNFCCC Secretariat and other participants