



A GUIDE TO SUPPORT IMPLEMENTATION OF THE PARIS AGREEMENT – PART ONE

Supporting Access to Finance for Climate Action

TABLE OF CONTENTS

Foreword to the Series “Guides to Support Implementation of the Paris Agreement”	3
List of acronyms.....	4
1. Introduction and overview.....	5
2. Climate finance architecture	7
3. The climate funds.....	8
4. Multilateral Development Banks.....	10
5. National funds and some regional climate funds	12
6. Bilateral donors.....	13
7. Private sector	14
8. Philanthropy and foundations	15
9. Decentralised access to climate finance	16
10. Sources of guidance for NDC implementation.....	17

Author: Dr Tara Shine

Published by: Sida, 2017

Copyright: Sida

Layout: Nordic Morning

Art.No.: Sida62080en

urn:nbn:se:Sida-62080en

The publication can be downloaded from www.sida.se/publikationer

For those with a disability, alternative forms of the publication can be obtained from info@sida.se.

FOREWORD TO THE SERIES “GUIDES TO SUPPORT IMPLEMENTATION OF THE PARIS AGREEMENT”

The ground-breaking Paris Agreement on climate change was adopted 2015, and it entered into force within a year. By November 2017, 170 countries, including a majority of Sida’s cooperation countries, had ratified it. The Agreement aims to keep the temperature increase below 2°C, to pursue efforts to limit it to 1.5°C, and to enhance the capacity to adapt to climate change. The main tool to achieve the goals is the system with countries’ own Nationally Determined Contributions (NDCs). Sida supports implementation of a large number of actions in different countries that are contributing to NDCs and the implementation of the Paris Agreement. However, there is a great need and potential to support this development further.

While there are many guides, tools and initiatives out there on NDCs and climate finance, there was a need for guidelines relating NDCs and climate finance more closely to the development agenda in countries, and to the role of bilateral donors.

With that in mind, Sida commissioned the development of this series of **Guides to Support Implementation of the Paris Agreement**, with the objective of providing guidance to Sida staff for the dialogue with, and support to, partner organisations in their implementation of the Paris Agreement.

Guides to Support Implementation of the Paris Agreement:

Part One: **Supporting Access to Finance for Climate Action.**

Part Two: **Towards Green Climate Fund Accreditation and Support.**

Part Three: **Integrating Climate Action into National Development Planning – Coherent Implementation of the Paris Agreement and Agenda 2030.**

Stockholm, December 2017

LIST OF ACRONYMS

AF	Adaptation Fund
CDKN	Climate Development Knowledge Network
CDM	Clean Development Mechanism
CFI	Climate Fund Inventory
CIF	Climate Investment Funds
CSO	Civil Society Organisation
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
FIP	Forest Investment Program
GCF	Green Climate Fund
GEF	Global Environment Facility
GET	Green Economy Transition
GOI	Government of Indonesia
GRIF	Guyana REDD+ Investment Fund
ICCTF	Indonesia Climate Change Trust Fund
IFC	International Finance Corporation
IIED	International Institute for Environment and Development
INDC	Intended Nationally Determined Contribution
LCDS	Low Carbon Development Strategy
LDC	Least Developed Country
LDCF	Least Developed Countries Fund
LIDC	Low Income Developing Country
NDC	Nationally Determined Contribution
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OECD DAC	Development Assistance Committee of the OECD
REDD+	Reducing Emissions from Deforestation and forest Degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries.
SCCF	Special Climate Change Fund
SGP	Small Grants Programme (of the GEF)
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollars
WRI	World Resources Institute
WWF	World Wildlife Fund for Nature

1. INTRODUCTION AND OVERVIEW

What is climate finance?

Climate finance refers to local, national or transnational financing, which may be drawn from public, private and alternative sources of financing. Climate finance is critical to addressing climate change because large-scale investments are required to significantly reduce emissions, notably in sectors that emit large quantities of greenhouse gases, and to adapt to the adverse effects and reduce the impacts of climate change¹.

The Paris Agreement² includes the goal of 'making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development', clearly signalling that all sources of finance need to be aligned with the adaptation and mitigation goals set in the Agreement. Through the Agreement countries commit to preparing Nationally Determined Contributions (NDCs) which contain the climate action they commit to as part of the global effort to transition to a low carbon, climate resilient world. These NDCs will be updated every 5 years with a view to increasing their ambition so as to reach the temperature goals set in the Paris Agreement. Developing countries signal in their NDCs the actions that they can implement with their domestic resources and the actions they can take if they received international support.

Sources of finance for climate action and NDC implementation

Finance to support climate action and to implement NDCs comes from multiple sources and will not always be labelled or clearly recognisable as climate finance. For example, support to the health sector may be building capacity to cope with the increased prevalence of vector borne diseases associated with warmer temperatures, and investments in the agriculture sector may support for greater resilience to drought. In fact, given the considerable overlaps between activities to implement the Paris Agreement, the SDGs and the Sendai Framework, development finance will play a significant role, especially in the LDCs and SIDS, in supporting climate action³. Development assistance will also play a role in leveraging private sector finance for climate action through, for example, the use of risk guarantee instruments or blended finance arrangements.

The climate funds are important sources of finance for climate action and NDC implementation. The international climate funds include the Global Environment Facility (GEF), the Green Climate Fund (GCF), the Adaptation Fund (AF) and the funds led by the Multilateral Development Banks such as the Climate Investment Funds and bilateral funds specialising in climate. As a result, the climate finance landscape is very fragmented which increases the challenges associated with accessing finance and reduces overall efficiencies. This is why country ownership is essential, to guide resources to where they are most needed and to target the funds best suited to a country's needs. The diversity of funds can have advantages, allowing for specialisation, for example, by focusing on LDCs or on specific aspects of climate action such as technology or adaptation.

It is important to match countries' or communities' needs to the most appropriate source of climate finance. The procedures for direct access to the GCF or the AF may place these funds beyond the immediate reach of countries with very weak capacity, and in these cases access to finance via an international intermediary (e.g. UN agency) or through bilateral development assistance may be appropriate, while in parallel applying for readiness support to enable direct access accreditation in the future. Like development assistance, philanthropy has a role to play in catalysing other sources of finance for climate action, to fill any gaps (thematic or geographical) and to provide risk guarantees in order to attract private sector investment. Flexible and catalytic funding are as important as large scale investments and there is demand for both small amounts of easily accessible finance (e.g. through the GEF Small Grants Programme) as well as transformational finance at scale for major climate initiatives (e.g. through the GCF). Finding the right source of finance for a country or project is important – there is no one size fits all. Tools like the [NDC Funding and Initiatives Navigator](#) can help to identify the best fit fund for a particular context.

How much is needed?

The UNEP Finance Initiative estimates that the costs of the transition to low-carbon and climate-resilient economies will need investment at an order of magnitude of at least USD 60 trillion, from now until 2050⁴. This includes approximately USD 35 trillion to decarbonize, through renewable energy and energy

1 UNFCCC website http://unfccc.int/focus/climate_finance/items/7001.php

2 Paris Agreement http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf

3 Shine and Campillo (2016) [The Role of Development Finance in Climate Action Post-2015](#). OECD working paper.

4 UNEP Finance Initiative <http://www.unepfi.org/climate-change/climate-change/>

efficiency, the world's energy system; USD 15 trillion to adapt manmade infrastructure to changing meteorological conditions; and 2 USD trillion to reorganize global land-use in ways that meet growing demands for agricultural commodities while stopping tropical deforestation.

The UNEP Adaptation Finance Gap report estimates that the costs of adapting to climate change in developing countries could rise to USD 280–500 billion per year by 2050, a figure that is four to five times greater than previous estimates⁵.

There is of course a narrower definition of climate finance based on commitments made under the UNFCCC and focused on the commitment made by developed countries in Copenhagen in 2009 to mobilise USD100 billion per year in support for developing countries by 2020. Note that this includes both public and private sources of finance.

Tracking finance

There are efforts under way to measure progress towards the USD 100 billion target and climate finance mobilisation more broadly.

This includes the work of the [UNFCCC Standing Committee on Finance](#) which has a mandate in relation to the Financial Mechanism of the Convention in terms of:

- Improve coherence and coordination in the delivery of climate change financing,
- Rationalize the Financial Mechanism,
- Mobilize financial resources, and
- Measurement, reporting and verification of support provided to developing country Parties.

The committee produced the [2016 Biennial Assessment and Overview of Climate Finance Flows Report](#) which provides an overview of climate finance flows from developed to developing countries as reported in biennial reports, multilateral climate funds, climate finance from multilateral development banks and private climate finance.

In 2015 the French and Peruvian Governments in their capacities as Presidents of COP 21 and 20, commissioned a study by respectively the OECD and CPI '[2020 Projections of Climate Finance Towards the USD 100 Billion Goal](#)' which concluded that USD 62 billion in public and private sources were directed to developed countries from developing countries in 2014.

The OECD DAC uses the [Rio Markers](#) to track development finance that supports climate action in developing countries. Bilateral climate-related ODA from DAC members reached USD 29 billion per year in 2014-15⁶. Of this 49% (USD 14.3 billion) addressed mitigation only; 29% (USD 8.4 billion) addressed adaptation only; and 22% (USD 6.3 billion) addressed both adaptation and mitigation.

The OECD countries regularly report to the UNFCCC about their international climate finance support. They report in the form of National Communications (every four years) and Biennial Reports (every two years). This system of reporting will eventually be replaced by a new reporting system within the transparency framework under the Paris Agreement. The monitoring of climate finance flows is difficult and often contested as there is no clear definition of what constitutes climate finance and transparency is frequently an issue.

5 UNEP Adaptation Finance Gap Report (2016) <http://www.unepdtu.org/newsbase/2016/05/uneps-adaptation-finance-gap-report-released?id=377aa3d4-32c1-4100-8bee-ae65390b60ba>

6 OECD DAC (2015) Climate related development finance in 2015. [http://www.oecd.org/dac/environment-development/Climate-related%20development%20finance%20in%202015%20-%20FINAL%20\(2\).pdf](http://www.oecd.org/dac/environment-development/Climate-related%20development%20finance%20in%202015%20-%20FINAL%20(2).pdf)

2. CLIMATE FINANCE ARCHITECTURE

The climate finance architecture is complex and constantly evolving. Climate finance is channelled through multilateral funds – such as the Green Climate Fund, the Global Environment Facility and the Climate Investment Funds – as well as increasingly through bilateral channels. In addition, there are national and regional climate funds as well as private and philanthropic sources of finance. Different climate funds target different fields of activities (e.g. adaptation, mitigation, REDD, capacity-building), sectors, regions, and to enable support via different financing mechanisms.

Several organisations have mapped the climate finance architecture, for example:

- **WRI's mapping of the climate finance architecture**

<http://www.wri.org/resources/charts-graphs/global-architecture-climate-finance>

This is a map of different sources of climate finance and how they are related to each other.

- **Climate Funds Update**

<http://www.climatefundupdate.org/about-climate-fund/global-finance-architecture>

This mapping of climate finance is informed by research carried out in 2015 as part of a publication called [The Global Climate Finance Architecture](#). Climate Funds Update also publishes [Climate Finance Fundamentals](#), a series of short introductory briefings on various aspects of international climate finance, designed for readers new to climate finance.

The briefs outline the principles of public climate finance; the emerging global climate finance architecture; and address the instruments, needs and actual funding amounts in the action areas of adaptation, mitigation and forest protection (reducing emissions from deforestation and forest degradation, REDD-plus). Several look specifically at the climate funding situation for specific regions of the world.

- **Climate Policy Initiative (CPI)/Climate Finance Landscape**

<http://www.climatefinancelandscape.org/>

Climate Policy Initiative (CPI) produces inventories of climate change investment and is committed to improving understanding of climate finance flows at the global, national and local levels.

- **OECD – Climate Fund Inventory**

<http://www.oecd.org/environment/cc/data-base-climate-fund-inventory.htm>

The Climate Fund Inventory (CFI) database is a qualitative database of bilateral and multilateral public climate funds. This CFI initiative is in response to the increasing number of climate funds. The CFI aims to support recipient countries, such as Least Developed Countries in particular, by providing consolidated information on the number and types of climate funds that are available. It is intended to help countries determine which of the various climate funds they may be most eligible for and/or best-suited to access.

- **The OECD Development Assistance Committee (DAC)**

publishes statistics on climate related development assistance. All the relevant publications and data are available at <http://www.oecd.org/dac/stats/climate-change.htm>. An interactive data visualisation portal can be accessed [here](#).

The OECD DAC [ENVIRONET](#) and its work on the [Rio Markers](#) is the main avenue for tracking climate related development assistance. It also produces guides and research for development agencies to inform their work at the [intersection of development and climate action](#). For example, [The Partnership Climate Finance and Development](#), promotes the deployment of climate finance through coherence and collaboration among climate change, finance and development co-operation communities at the country, regional and global levels. The Partnership stems from the Busan Partnership for Effective Development Co-operation (2011).

3. THE CLIMATE FUNDS

The main climate funds are those that serve the UNFCCC, namely the Global Environment Facility (which house the Special Climate Change Fund (SCCF) and the Least Development Countries Fund (LDCF), the Green Climate Fund and the Adaptation Fund.

The funds serve different needs and / or different types of countries, and operate at different scales of financing – but there is also a good deal of overlap in their mandates. A list of climate funds (international, regional and national) with links to their websites is available [here](#).

GCF – The Sida Guide ‘Towards Green Climate Fund Accreditation and Support’ (2017) is a good entry point and sets out the steps to accreditation and accessing funds.

GEF – The Global Environment Facility (GEF) was established on the eve of the Rio Earth Summit in 1992 and supports action on sustainable development. It is the financial mechanism for five international environmental conventions: the Minamata Convention on Mercury, the Stockholm Convention on Persistent Organic Pollutants (POPs), the United Nations Convention on Biological Diversity (UNCBD), the United Nations Convention to Combat Desertification (UNCCD) and the United Nations Framework Convention on Climate Change (UNFCCC).

The GEF provides support for adaptation and mitigation as well as capacity building (through, for example, funding for National Capacity Self Assessments) and the transfer of technologies. It houses the Least Developed Countries Fund (LDCF), the Special Climate Change Fund and the GEF Small Grants Programme.

LDCF – The LDCF supports adaptation activities in LDCs only and delivery of funds is via an implementing agency (e.g. UNEP, UNDP).

The GEF has a guide dating from 2010 on how to access the LDCF http://www.thegef.org/sites/default/files/council-meeting-documents/Accessing_Resources_4.pdf

SCCF – The SCCF has four different funding windows: a. Adaptation b. Transfer of technologies c. Energy, transport, industry, agriculture, forestry, and waste management d. Economic diversification for fossil fuel dependent countries. To date it has only financed the Adaptation (a) and Transfer of Technologies (b)

windows. It is open to all developing countries (i.e. Non-Annex I countries that are party to the UNFCCC are eligible for project funding). The delivery of funds is via an implementing agency.

The GEF has a guide to accessing resources under the SCCF https://www.thegef.org/sites/default/files/publications/23470_SCCF_1.pdf

The GEF Small Grants Programme (SGP)

The GEF Small Grants Programme is implemented by UNDP and provides financial and technical support to communities and Civil Society Organisations (CSOs) to meet the overall objective of “global environmental benefits secured through community-based initiatives and actions”. The SGP funds “small grants” up to a maximum of USD 50,000. In practice, the average grant is USD 20,000 to USD 25,000. In addition, a “strategic projects” provides funds up to a maximum of USD 150,000. These “larger” small projects allow for scaling up and cover a large number of communities within a given location.

The Adaptation Fund – The Adaptation Fund finances projects and programmes that help vulnerable communities in developing countries adapt to climate change. Initiatives are based on country needs, views and priorities and access can be via the direct access modality or an implementing agency. The Fund has readiness funds to strengthen the capacity of national and regional implementing entities to receive and manage climate financing, especially through the direct access modality.

Details on how to access readiness support and prepare project proposals is available on the website at <https://www.adaptation-fund.org/>

The UNFCCC has another mechanism that mobilises funding for climate action. This is the **Clean Development Mechanism (CDM)** that was established under the Kyoto Protocol and is the world’s largest carbon offsetting initiative. Under the Clean Development Mechanism, emission-reduction projects in developing countries (in energy, industry, transport et.) can earn certified emission reduction credits (CERs). These credits can be used by industrialized countries to meet part of their emission reduction targets under the Kyoto Protocol. There are over 8,000 CDM projects and programmes in more than 105 countries resulting in the issuance of more than 1.6 billion certified emission reductions. The CDM has not been without controversy in term of economic

efficiency, environmental integrity and its contribution to sustainable development. For an overview, see for example [this article](#).

Article 6 of the Paris Agreement establishes a new Sustainable Development Mechanism which will build on the CDM and lessons learned from its experience and allow all countries, developed and developing, to participate in the mechanism. The mechanism is still being developed as part of the rule book for the Paris Agreement.

UN REDD is a collaborative programme on Reducing Emissions from Deforestation and Forest Degradation in developing countries implemented by FAO, UNDP and UNEP. It supports nationally led REDD+ processes and promotes the informed and meaningful involvement of all stakeholders, including indigenous peoples and other forest-dependent communities, in national and international REDD+ implementation. A list of partner countries is available [here](#).

4. MULTILATERAL DEVELOPMENT BANKS

The multilateral development banks are providers of climate finance and can also act as implementing agencies for the climate funds. Climate finance is provided as grants and concessional and non-concessional loans. An overview of multilateral climate finance flows is available from the OECD DAC [here](#) and flags whether finance is concessional or non-concessional. The MDBs also provide support to help countries to develop tools and capacity to access climate finance.

The World Bank houses the [Climate Investment Funds](#) (CIF) which includes specialised funds for adaptation and resilience building, forestry, clean technology and renewable energy.

For example, the [Pilot Programme on Climate Resilience](#) uses a two-phase, programmatic approach, to assist national governments to integrate climate resilience into development planning across sectors and stakeholder groups. It also provides additional funding to put the plan into action and pilot innovative public and private sector solutions to pressing climate-related risks. The Fund operates in Bangladesh, Bhutan, Bolivia, Cambodia, Caribbean Region, Dominica, Ethiopia, Gambia, Grenada, Haiti, Honduras, Jamaica, Kyrgyz Republic, Madagascar, Malawi, Mozambique, Nepal, Niger, Pacific Region, Papua New Guinea, Philippines, Rwanda, Samoa, St. Lucia, St. Vincent & Grenadines, Tajikistan, Tonga, Uganda, Yemen and Zambia.

The [Forest Investment Programme](#) is the USD 775 million funding window under the CIF that provides investments to benefit forests, development and the climate. The funds (grants and low-interest loans) are channelled through partner multilateral development banks (MDBs) to support country efforts to reduce deforestation and forest degradation (REDD+) and promote sustainable forest management.

The [Forest Carbon Partnership Facility](#) is a global partnership of governments, businesses, civil society, and Indigenous Peoples focused on reducing emissions from deforestation and forest degradation, forest carbon stock conservation, the sustainable management of forests, and the enhancement of forest carbon stocks in developing countries (activities commonly referred to as REDD+). The World Bank functions as the trustee and secretariat to the fund. The World Bank, the Inter-American Development Bank and United Nations Development Programme are Delivery Partners. There is a Readiness Fund and Carbon Fund. The Readiness Fund supports tropical and sub-tropical developing countries to prepare national REDD+ strategies; developing reference

emission levels (RELS); designing measurement, reporting, and verification (MRV) systems; and setting up REDD+ national management arrangements, including proper environmental and social safeguards. The Carbon Fund works with countries that have completed REDD+ readiness to pilot performance-based payments for REDD+ policies and measures.

The World Bank has developed the [NDC Platform](#), a database profiling every NDC. The platform aims to help identify the needs, priorities and resource gaps for countries as they turn the targets in their NDCs into action. Based on a comprehensive mapping exercise, the NDC Platform provides a full picture of the detailed targets, implementation plans, and, where available, self-reported cost estimates from countries that have submitted NDCs. The Bank also has a [climate finance webpage](#) where it posts information on all its climate related activities.

The International Finance Corporation (IFC) contributes to [climate finance](#) through direct investments in climate sectors including renewables, development of new de-risking and aggregation mechanisms, and sharing experience through participation in international fora and multi-stakeholder working groups. By 2020, IFC aims to have climate investments account for 28 percent of its total financing portfolio. To reach this goal, IFC must increase climate investments by an estimated 50 percent from previous years and will need to move into new climate markets, create new investment vehicles, and increase internal tools and support. It supports large-scale renewable energy, energy efficiency and renewable energy credit lines, direct investments in green buildings, distributed renewable energy for industrial and commercial sources, new financial intermediaries models, urban infrastructure, agri-business and clean tech venture capital.

The Inter-American Development Bank Group (IDB Group) has launched [NDC Invest](#), an integrated support platform designed to help countries access the resources needed to translate national climate commitments into investment plans and bankable projects. NDC Invest has four pillars; i) NDC programmes; ii) NDC pipeline accelerator; iii) NDC market booster; and iv) NDC finance mobiliser.

The Asian Development Bank has carried out an [assessment of the NDCs of its developing country members](#) (August 2016) to inform ADB's strategic approach to support climate action and to mobilise climate finance in support of its developing country members.

The African Development Bank has a Climate Investment Funds (CIF) unit which in 2016 carried out a [study](#) which details regional member countries' progress to transition Intended Nationally Determined Contributions (INDCs) into Nationally Determined Contributions (NDCs). The report finds that in many countries, projected contributions from African countries will be conditional based upon receipt of climate finance support.

The African Development Bank houses the [Congo Basin Forest Fund](#) a multi-donor fund set up in June 2008 to take early action to protect the forests in the Congo Basin region. It aims to support transformative and innovative projects to develop the capacity of people and institutions of the Congo Basin to enable them to preserve and manage their forests.

The European Bank for Reconstruction and Development (EBRD) is increasing its focus on green economy financing. It launched its [Green Economy Transition](#) (GET) approach in 2015, under which it aims to dedicate 40 per cent of its annual investments to climate finance by 2020, compared with an average of around 25 per cent in the previous five years. The GET uses the full range of the EBRD's financial instruments, including direct EBRD financing and syndication in the form of private, non-sovereign and sovereign guaranteed loans, direct equity, equity funds and Green Energy Financing Facilities and Sustainable Energy Financing Facilities.

The EBRD uses a private sector investment model to reducing carbon emissions with energy efficiency and renewable energy projects while also promoting the transfer of green technology to its regions. It has a [Finance and Technology Transfer Centre for Climate Change](#) that supports climate technology transfer to countries in transition.

The European Investment Bank (EIB) commits at least 25% of their lending portfolio to low-carbon and climate-resilient growth. In 2016, the EIB provided EUR 16.9 billion to support environmental projects, in over 160 countries (developed and developing). To date, EIB is the world's largest issuer of Green Bonds. In support of the Paris Agreement, EIB is committed to increasing its lending for action in developing countries to 35% of total lending by 2020.

5. NATIONAL FUNDS AND SOME REGIONAL CLIMATE FUNDS

Several developing countries have established their own climate funds to receive funding from multiple developed countries in an effort to coordinate and align donor interests with national priorities.

There are national funds in Mali, Indonesia, Bangladesh, the Philippines, Mexico, Cambodia, Guyana, Benin, Ethiopia, South Africa, the Maldives, Rwanda and Brazil.

For example:

- [Guyana's REDD+ Investment Fund](#) (GRIF) is a multi-contributor trust fund for the financing of activities identified under the Government of Guyana's Low Carbon Development Strategy (LCDS). The GRIF was established in October 2010, with the World Bank as Trustee, following an agreement signed between Guyana and Norway in November 2009, in which Norway agreed to provide Guyana up to USD 250 million by 2015 in performance-based payments for avoided deforestation in support of Guyana's LCDS.
- The [Indonesia Climate Change Trust Fund](#) (ICCTF) is a national funding entity which aims to develop innovative ways to link international finance sources with national investment strategies. Created by the Government of Indonesia (GOI), it acts as a catalyst to attract investment and to implement a range of alternative financing mechanisms for climate change mitigation and adaptation programmes. The ICCTF receives non-refundable contributions from bilateral and multilateral donors. The main funding mechanism of the ICCTF is the 'Innovation Fund', which provides grants to line ministries to support climate change related projects within the GOI.

The [Kenyan Climate Change Action Plan](#) proposes a Kenya National Climate Fund⁷, to serve as the main financing mechanism for the Action Plan. The fund has yet to be established and will have the role of ensuring that climate finance in Kenya is mobilised and disbursed according to the adaptation and mitigation priorities and the criteria identified in the Kenya Climate Change Action Plan. It would also create a centralised body of expertise on climate finance in the country.

Kenya is also piloting devolved climate finance through county governments. Since 2010, devolved county-level climate finance mechanisms have been established in Wajir, Makueni, Isiolo, Garissa and Kitui countries. County Climate Change Funds legislation commits counties to contributing 1–2% of their development finance to adaptation and to empowering local people to prioritise the adaptation activities. Representative ward and county adaptation planning committees, appointed following a public information campaign and public vetting selection process, manage the CCCF to finance public good investments for improved resilience to climate change. These pilots provide proof of concept of sub-national capacity to plan, finance and implement adaptation investments and to eventually draw down global climate finance through the Adaptation Fund and the Green Climate Fund. The county funds are responding to the national Climate Change Action Plan, the National Adaptation Plan and the Ending Drought Emergency Strategy as well as the Climate Change Act 2016 to ensure local to national linkages. For more information see the website of the [Ada Consortium](#) and the information on decentralised climate finance in section 9.

UNDP has developed a guidebook (2011) on [Blending Climate Finance Through National Climate Funds: A Guidebook for the Design and Establishment of National Funds to Achieve Climate Change Priorities](#).

Regional climate related funds include the [Amazon Fund](#) (which aims to reduce emissions by preventing and monitoring deforestation and promoting the preservation and sustainable use of the Brazilian Amazon) and regional risk pooling mechanisms like [African Risk Capacity](#) and [the Caribbean Catastrophe Risk Insurance Facility](#).

⁷ June 2012 version of proposed Kenya National Climate Fund <http://www.tikenya.org/phocadownload/2.%20sc8%20kenya%20national%20climate%20fund%20final.pdf>

6. BILATERAL DONORS

Bilateral donors are mainstreaming climate change into their development programmes and this finance is captured in the OECD DAC climate finance statistics. Bilateral development assistance is a significant source of climate finance. In 2013-14, bilateral climate-related development finance – ODA and non-concessional climate-related finance (Other Official Flows) by DAC members totalled USD 25 billion per year and constituted more than half of the public climate finance. During the same period, multilateral climate-related development finance reached USD 21.7 billion per year, representing around a fifth (19%) of total multilateral flows, or nearly half (46%) of total climate-related development finance⁸.

Sweden's total climate finance in 2016 was USD 448 million, of which 73% was provided through Sida within the frames of bilateral, regional and global development cooperation strategies. The remaining finance was mainly provided as multilateral support, including to the GCF. In its climate finance reporting, Sida uses the Rio Markers of DAC for tracking, and includes 100% of finance provided to initiatives with climate change as the principal objective, but only 40% of finance provided to initiatives with climate finance as a significant objective.⁹ [Sweden's Second Biennial Report under the UNFCCC](#) sets out, an overview of the financial support it provides to developing countries for climate action. It sets out Sweden's multilateral financial support – the GCF, GEF, CIF, AF, LDCF – as well as bilateral support delivered through Sida. Support provided via civil society organisations (e.g. IIED, Energia, WWF) and the private sector (e.g. through Public Private Development Partnerships and Challenge Funds) for climate action is also presented in the report. The report also outlines the 'new and additional' nature of Swedish climate finance; where climate financing is additional to the international development aid goal of 0.7 per cent of gross national income (GNI). Sweden is committed to upholding its ODA at 1 per cent and provide climate finance at increasing levels. Sweden aims to mainstream climate change in international development assistance, to enhance contributions to low-carbon development, and to make ODA more climate resilient.

All National Communications and Biennial Reports submitted to the UNFCCC by Annex I countries are available on the [UNFCCC website](#).

Additional to financing programs with climate change as the principal objective, Sida makes efforts to integrate climate change into all its operations as part of its wider integration of the environment and climate perspective¹⁰. This includes i) capturing opportunities for positive climate impacts, ii) managing risks from the operations to the climate, and iii) managing risks from climate change to the operations. For more information about Sida's climate finance, visit Sida's website www.sida.se.

Some donor governments that have established specialised climate funds such as the [UK International Climate Fund](#) and the German [IKI Initiative](#) (International Climate Initiative) which supports the NDC Partnership (section 10). A map of IKI projects around the world is available [here](#).

The Government of [Norway International Climate and Forest Initiative](#) supports REDD+ activities and contributes to several multilateral and bilateral initiatives including the Brazilian Amazon Fund, Congo Basin Forest Fund, Forest Carbon Partnership Facility and Forest Investment Program.

The European Union has the [Global Climate Change Alliance](#) aims to support the most vulnerable people to respond to climate change. The GCCA+ supports more than 50 national and regional programmes.

⁸ OECD DAC (2015) [http://www.oecd.org/dac/environment-development/Climate-related%20development%20finance%20in%202015%20-%20FINAL%20\(2\).pdf](http://www.oecd.org/dac/environment-development/Climate-related%20development%20finance%20in%202015%20-%20FINAL%20(2).pdf)

⁹ The Swedish Environmental Protection Agency (forthcoming 2018) Sweden's Seventh National Communication on Climate Change http://unfccc.int/national_reports/annex_i_natcom/submitted_natcom/items/10138.php

¹⁰ Sida's Green Tool Box www.sida.se/greentoolbox

7. PRIVATE SECTOR

Given the scale of the climate challenge and the investment needed to finance the transition to a low carbon, climate resilient society, public funds alone will not be sufficient. As a result, public actors, such as aid agencies, have become increasingly interested in using public funds to leverage private capital investment in climate change projects in developing countries. Private sector investors include individuals, private equity including venture capitalists, and larger institutional investors like pension funds, insurance companies, or sovereign wealth funds.

As with wider development assistance flows¹¹, there is an interest in tracking and measuring the amount of private sector finance leveraged by public funding. The [2016 OECD survey](#) on amounts mobilised from the private sector by ODA shows that, in 2012-15, USD 81.1 billion was mobilised from the private sector by official development finance interventions in form of guarantees, syndicated loans, shares in collective investment vehicles, credit lines and direct investment in companies. The aim is to have an increasing amount of this development finance flow towards low carbon and climate resilient alternatives to business as usual.

WRI¹² has estimated the private capital flowing into developing countries at an estimated USD 989 billion in net inflows in 2011. If this capital could be directed towards low-carbon, climate resilient investments it would be a significant contribution to climate finance – far in excess of the USD100 billion per year by 2020 referenced under the Convention.

There are a number of ways for the private sector to finance climate actions, through the actions and investments of SMEs and corporations, and through green investment and green bonds. According to the Climate Policy Initiative's Landscape of Climate Finance survey, corporations are by far the largest funders of climate finance, through their normal business investments in things like energy efficiency improvements. Corporations are also engaged in the green bond market, where there is evidence that the improved transparency of these instruments can lower their cost of capital for investors who want to fund the low carbon transition. However, the vast majority of this corporate investment is by the largest companies in the most developed economies. The challenge is to direct this finance into more challenging markets in developing countries. In addition, private sector finance in adaptation continues to lag behind mitigation.

The links below provide some further information on the ways of engaging the private sector in climate finance:

Find out more about Green Investment Banks at NDCi Global – an overview of Green Investment Banks <http://ndci.global/green-investment-banks-are-key-to-financing-paris/>

For a working example see the UK Green Investment Bank and the Green Investment Handbook <http://www.greeninvestmentbank.com/green-impact/green-investment-handbook/#>

The OECD has a body of work on green finance and investment which has a strong focus on private sector finance, including green bonds and green investment banks <http://www.oecd.org/env/cc/financing.htm>

¹¹ OECD Amounts mobilised by the private sector for Development accessed 31 May 2017 <http://www.oecd.org/development/stats/mobilisation.htm>

¹² WRI Climate Finance and the Private Sector (2012) accessed 31 May 2017 http://www.wri.org/sites/default/files/uploads/cfps_brochure.pdf

8. PHILANTHROPY AND FOUNDATIONS

While public and private finance will play a key role in financing the global transition, philanthropy can serve as a catalyst, acting in nimbler and more strategic ways, augmenting the work of public donors who may be constrained by competing political priorities, or slower-moving processes¹³.

Philanthropy is now engaging in a variety of ways to both provide and mobilise climate finance.

The Rockefeller Foundation Zero Gap innovative finance portfolio, is working to catalyse investment in the transition to a low carbon, climate resilient world by supporting initiatives that innovate on current practices and financial flows in ways that are immediately actionable, and that drive significant investments in adaptation and resilience. The Rockefeller Foundation is using philanthropic risk capital to develop innovative finance solutions to close the gap between global development's funding needs and the resources that are currently available. It supports innovative financing mechanism like:

Africa GreenCo – A new intermediary that aims to increase private sector investment in energy generation in sub-Saharan Africa by mitigating the credit risks associated with the current lack of creditworthy off-takers.

Extreme Climate – An insurance product to provide African nations access to finance for climate adaptation projects. The product will track the climate change through an index and make trigger insurance payouts as countries show signs of climate change.

The Rockefeller Foundation also supports [The Global Innovation Lab for Climate Finance](#) (the Lab), a public-private sector initiative that identifies, develops, and launches innovative financial instruments to unlock private investment at scale by addressing key barriers to building climate mitigation and adaptation in the developing world. In 2016 the Lab raised more than USD 500 million for pilot instruments, which has the potential to mobilize billions more in private capital.

Other Foundations such as the [Children's Investment Fund Foundation](#), [The Ford Foundation](#), [Oak Foundation](#) and [The Climate Works Foundation](#) are also significant funders of climate action. [Inside Philanthropy](#) provides a list of philanthropic foundations that fund climate action.

The [Finance Dialogue](#) seeks to support the energy transition by catalysing a substantial redirection of capital into the low carbon economy. The dialogue work with investors, financial experts, NGOs and philanthropists to deliver an integrated strategy and aims to better coordinate funding activities.

¹³ Philanthropy's Role in Financing a Climate-Resilient World. CPI. Barbara Buchner, June 2016 accessed 31 May 2017 <https://climatepolicyinitiative.org/2016/06/16/philanthropys-role-financing-climate-resilient-world/>

9. DECENTRALISED ACCESS TO CLIMATE FINANCE

Although there are multiple sources of international and national climate finance available, in many cases these resources are not reaching the local level, where in many cases the need and the potential for transformation is greatest.

According to IIED, few models are efficiently channelling climate finance to communities on the ground and when climate finance is available, local people have little say in how the funds are spent. While there is no exact number for the amount of climate finance that reaches local people, based on the information available, IIED's very rough estimate for 2003–2015 is that only 11 per cent of climate finance, or US\$1.6 billion, flows to the local level¹⁴. IIED¹⁵ also estimates that just four per cent of the US\$ 1.5 billion committed by the GCF in April 2017 will flow directly to local institutions in the poorest countries.

IIED is working with partners in Tanzania, Mali, Kenya and Bangladesh that have experience of funding local agencies to get accredited by the Green Climate Fund and to test new ways of getting climate finance to flow to the local level¹⁶. It is also hoped that the Enhanced Direct Access model of the GCF will enable more finance to flow to local communities – as will be tested in the Namibian Project [Empower to Adapt: Creating Climate-Change Resilient Livelihoods through Community-Based Natural Resource Management in Namibia](#).

Funds that have been identified by IIED as having some success delivering climate finance to the local level are the Global Environment Facility's (GEF) Small Grants Programme, the World Bank's Community-Driven Development, and the UK Department for International Development-supported County Climate Adaptation Funds in Kenya.

For example, the GEF Small grants programme is open to CSOs and NGOs working on climate at the local level. To get started interested NGOs should contact their National Coordinator. The list of eligible countries is available [here](#).

The [Dedicated Grant Mechanism for Indigenous Peoples and Local Communities](#) also enables local access to finance for climate action. It is an innovative grant program for fighting forest loss by putting project design and funding decisions in the hands of indigenous peoples and local communities, giving them the power to set priorities and implement

programs aimed at conserving their natural environment. It is part of the Forest Investment Program (FIP) of the Climate Investment Funds (CIF).

For more information on decentralised climate finance see:

- Tanzania Decentralised Climate Finance project <http://www.dcfp.go.tz/>
- IIED Decentralising climate finance in Mali and Senegal <https://www.iied.org/decentralising-climate-funds-mali-senegal>
- Finance for decentralised energy access <http://pubs.iied.org/pdfs/16621IIED.pdf>
- County level climate finance in Kenya www.adaconsortium.org

¹⁴ IIED blog accessed 31 May 2017 <https://www.iied.org/six-steps-local-climate-finance>

¹⁵ IIED blog accessed 31 May 2017 <https://www.iied.org/now-time-ensure-gcf-finance-reaches-local-level>

¹⁶ See <https://www.iied.org/local-climate-finance-funding-community-prioritised-adaptation>

10. SOURCES OF GUIDANCE FOR NDC IMPLEMENTATION

Introduction to NDCs

As part of the Paris Agreement countries have submitted Nationally Determined Contributions (NDCs). By the end of 2017, 165 Parties had submitted their first NDCs and these can be accessed via the UNFCCC [interim NDC register](#). NDCs must contain mitigation actions and may also contain adaptation actions.

The NDCs submitted to the UNFCCC to date are plans and commitments without sufficient detail to present them to prospective funders. The next step is to convert the NDCs into investment ready plans and to integrate them into mainstream planning at the national level.

NDC implementation

As highlighted in section 4, the IDB have a tool to support their member countries to develop their NDCs and attract investment called [NDC Invest](#).

At the global level the [NDC Partnership](#) is a main platform for NDC implementation. It is funded by several donor governments and the Partnership secretariat is housed in the World Resources Institute in Washington DC. It is described as a club for national governments and international institutions committed to “ambitious NDC and related SDG implementation”. Non-state actors including NGOs, DFIs and others can become associate members. There are currently over 60 country partners and a number of institutional partners.

In collaboration with its members, the Partnership aims to:

1. Create and disseminate knowledge products that fill information and knowledge gaps. The Partnership aims to raise awareness of and enhance access to NDC support initiatives, best practices, analytical tools and resources. It uses online portals and communities of practice to share knowledge and information. It will also use peer-to-peer learning and exchanges.
2. Facilitate technical assistance and capacity building. The Partnership will support countries in defining processes, policies and plans needed to advance NDC implementation, facilitate access to tailored technical assistance and knowledge sharing, and foster greater collaboration to ensure that development efforts and climate action are mutually reinforcing.
3. Facilitate enhanced financial support for NDC implementation. The Partnership will work with governments to better understand and address constraints to access bilateral and international NDC support programs. The Partnership aims to align development finance more strongly and coherently with NDC implementation.

Some of the partnerships online tools are already up and running. The [NDC Toolbox Navigator](#) is a searchable database of tools, guidance, and advisory support to help countries implement their NDCs.

The tool box helps users to access information about:

- The Basics of NDCs
- Assess Needs and Capacity
- Establish Institutional Arrangements and Engage Stakeholders
- Collect Data and Understand Current Context
- Identify and Analyse Climate Actions
- Evaluate Potential Development Impacts and Benefits
- Develop an Implementation Plan
- Finance NDC Implementation
- Evaluate, Monitor and Report Impacts

NDC financing

The [NDC Funding and Initiatives Navigator](#) is a searchable database of financial and technical support that can help countries to plan and implement their NDCs. It includes open funds and technical support as well as existing assistance on the ground that will help coordination of new support. You can search it by country, climate objective, type of funding etc.

Other toolkits and support for NDC and climate action implementation

OECD – Adaptation

The OECD has a [toolkit to enhance access to adaptation finance](#) for developing countries that are vulnerable to adverse effects of climate change, including LIDCs, SIDS and African states. The toolkit aims to provide practical and technical solutions to identify and support adaptation as a national priority, design fundable projects and programs, better link with available funding, and enhance in-country capacities and enabling environments to attract investments from a wide variety of sources.

GIZ – Climate finance readiness

The [GIZ Climate finance ready](#) programme supports partner countries to access international funds and making effective use of climate finance. CF Ready does not provide countries with direct funding, but rather supports them in accessing financial resources through the Green Climate Fund (GCF) and other climate funds and their identifying the best use for the financial resources. The programme is implemented jointly by KfW Development Bank and GIZ. The programme cooperates closely with the secretariats of major climate funds such as the GCF and the Adaptation Fund. It currently operates in fifteen countries: Bangladesh, Cambodia, Grenada, Jamaica, Morocco, Namibia, Peru, South Africa, St. Kitts and Nevis, St. Lucia, Tajikistan, Tanzania, Uganda, Viet Nam and Zambia.

UNDP

UNDP has produced a [Methodology Guidebook for the Assessment of Investment and Financial Flows to Address Climate Change](#) (2008). The Guidebook aims to respond to countries' needs to identify financial requirements to address climate change and to implement national climate strategies and targets. Countries have used the methodology since 2008 to break down climate change goals into concrete activities & costs, as well as to develop a pathway to cover these costs.

UNDP also has a framework to support readiness for climate finance (2012) – [UNDP Readiness for climate finance](#).

UNEP

UNEP supports [climate finance readiness](#) by i) supporting access to adaptation finance (i.e. as an implementing agency for the GEF, GCF, AF); and ii) building capacity for direct access to the Adaptation Fund.

The [UNEP Finance Initiative](#) is a partnership between United Nations Environment Programme and the global financial sector created in the context of the 1992 Earth Summit with a mission to promote sustainable finance. Over 200 financial institutions, including banks, insurers and investors, work with UNEP to understand today's environmental challenges, why they matter to finance, and how to actively participate in addressing them. UNEP FI's work also includes a strong focus on policy at the country and international level. It has a specific work stream on [climate finance](#).

The Commonwealth

The [Climate Finance Access Hub](#) is a Commonwealth initiative aimed at helping to unlock internationally available climate finance for its member countries. The initiative aims to assist small and vulnerable member states with limited capacities to bid for and gain access to climate change finance. To do this it has activities to building human and institutional capacity; support the development of pipelines of projects for climate finance; and facilitate cross-Commonwealth cooperation, and sharing of experiences and expertise.

Climate Development Knowledge Network (CDKN)

CDKN has a [Quick Start Guide](#) for planning for NDC implementation. It has guidance on issues ranging from governance and adaptation to financing and measuring, reporting and verifying. The online tools walk the user through the necessary steps to develop and implement an NDC.

NDCi global

[NDCi global](#) is a community resource for professionals working on their country climate commitments (NDCs) and related goals. Topics covered in the online blog include clean energy, industry and transport, water, waste, land, forestry and agriculture. The aim is to support professionals working to turn NDCs from paper into projects and the resources it produces cover all aspects of public and private climate finance. The aim is to help put policies into practice and make transactions easier. It shares news and best practice and gives people working on NDCs the chance to connect and consult with each other.

The New Climate Economy

The Global Commission on the Economy and Climate, and its flagship project The New Climate Economy, were set up to help governments, businesses and society make better-informed decisions on how to achieve economic prosperity and development while also addressing climate change.

The New Climate Economy was commissioned in 2013 by the governments of seven countries: Colombia, Ethiopia, Indonesia, Norway, South Korea, Sweden and the United Kingdom. Led by its global commission, it has disseminated its messages by engaging with heads of governments, finance ministers, business leaders and other key economic

decision-makers in over 30 countries around the world.

The New Climate Economy has published on the costs and benefits of climate action and has research on how to drive investment into the green economy – [Driving Low-Carbon Growth Through Business and Investor Action](#).

Global Green Growth Institute (GGGI) NDC Alliance

The Alliance supports the countries where GGGI operates to develop and implement their NDCs. Support is provided in 6 areas: governance, implementation of targets, monitoring, reporting and verification, financing, capacity building and knowledge sharing and sectoral interventions. A guide to the services offered by the GGGI NDC Alliance and a list of the countries they operate in is available on their website ggi.org

