National Climate Funds Breakout Group

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Who are we?
1. What is a National Climate Fund?

2. Deep dive into 3 key issues
   - Alignment with strategies and plans
   - Capitalization
   - Private Sector Engagement

3. The way forward
Overview of National Climate Funds
What is a National Climate Fund?

An NCF is a tool that supports countries to direct finance toward climate change projects and programmes by facilitating the collection, blending, coordination of, and accounting for climate finance.
National Climate Funds as Part of the International Climate Finance Landscape

Structural Overview of an NCF

**Key Decision: Objectives**
- Identification of priorities
- Fund focus
- Relation to other funds
- Timelines
- Expected financial flows
- Stakeholders
- Relation to other entities/programmes

**Key Decision: Governance**
- Considerations:
  1. Governing bodies identified
  2. Relation to existing bodies
  3. Representation on bodies
  4. Decision-making process
  5. Proposed submission
  6. Proposal approval
  7. Safeguards
  8. Oversight
  9. Relation to other national funds

**Key Decision: MRV**
- Considerations:
  1. Connection to existing MRV systems
  2. NCF-MRV requirements
  3. Link to project effectiveness
  4. Audits
  5. Oversight
  6. Methodological concerns

**Key Decision: Capitalization**
- Considerations:
  1. Natural sources to be collected/balanced
  2. Innovative sources
  3. Allocate funds to specific activities
  4. Existing sources
  5. Relation of capitalization to size, governance, implementation
  6. Necessary structures (e.g., laws)
  7. Cycle for fundraising

**Key Decision: Fiduciary Management**
- Considerations:
  1. Trustee selection
  2. Government engagement with trustees
  3. Services of trustee
  4. Conflicts of interest
  5. Relation to implementers
  6. Fees
  7. Capacity development to strengthen national trusts

**Key Decision: Implementation Arrangements**
- Considerations:
  1. Programmatic instruments (e.g., grants and loans)
  2. Relation to lending institutions
  3. Implementer selection
  4. Relationship of fund to implementers (e.g., oversight)
  5. Private sector
  6. Delivery
  7. Oversight
  8. Relation to domestic and international funds
  9. Roles
Objectives

KEY DECISION: Objectives

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

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

An NCF’s objectives provide the foundation for its operations and outcomes.
KEY DECISION: Governance

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

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

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

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

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

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

China CDM Fund

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

- An **endowment fund** - lasts in perpetuity, preserving its capital and using only the interest or return on investment to finance activities.

- A **sinking fund** - disburses a proportion of its capital each year over a defined period of time until it sinks to zero.

- A **revolving fund** - replenished or augmented on a regular basis, usually through fees, taxes or levies.
KEY DECISION: Fiduciary Management

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

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

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

Implementers
- Government Bodies
- United Nations
- Multilateral Development Banks
- National Development Banks
- NGOs
- Private Sector
- Civil Society Actors
- Others

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

Actions to Achieve Strategic Priorities
- Eligible Recipients
- Instrument (loans or grants)
- Type of Support
- Eligible Activities
Supporting Efficient Implementation

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

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

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

The NCF should have unambiguous appraisal and performance criteria. Each stakeholder responsible for providing information on activities must have clear guidelines and standards.
WHAT IF IT'S A BIG HOAX AND WE CREATE A BETTER WORLD FOR NOTHING?

- ENERGY INDEPENDENCE
- PRESERVE RAINFORESTS
- SUSTAINABILITY
- GREEN JOBS
- LIVABLE CITIES
- RENEWABLES
- CLEAN WATER, AIR
- HEALTHY CHILDREN
- ETC. ETC.
Deep Dive 1

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

Mr. Rasmi Hamzeh
Jordan Renewable Energy and Energy Efficiency Fund
How were you able to ensure that the capitalization was sustainable?

Ms. Karen Silverwood Cope
Brazil National Fund on Climate Change
Deep Dive 3

How were you able to engage with the private sector?

Mr. Krib Sitathani

Thailand’s Energy Supporting Mechanisms through Energy Conservation Fund and ESCO Fund
NCF Guidebook

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Thank You