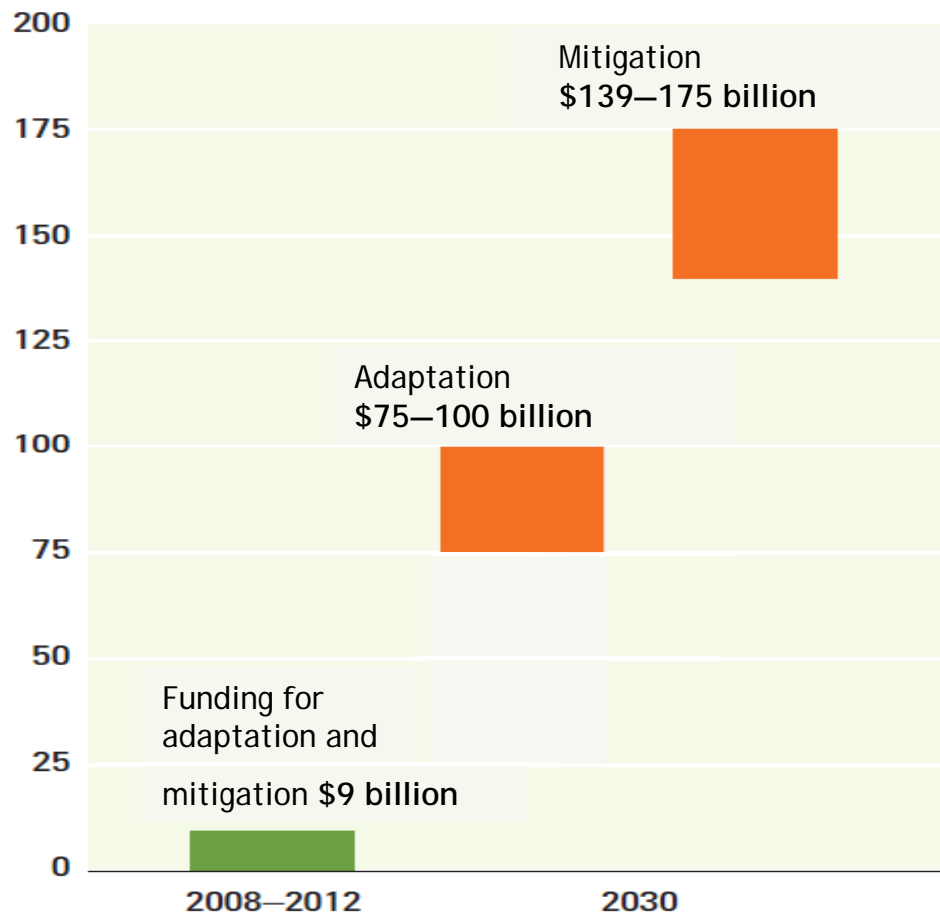


# **How to define and calculate finance flows in climate action?**

Ari Huhtala  
Senior Environmental Specialist  
World Bank  
Venice, October 14, 2010

# Financing Needs to Deal with Climate Change

**Additional investment needs in developing countries, by 2030**

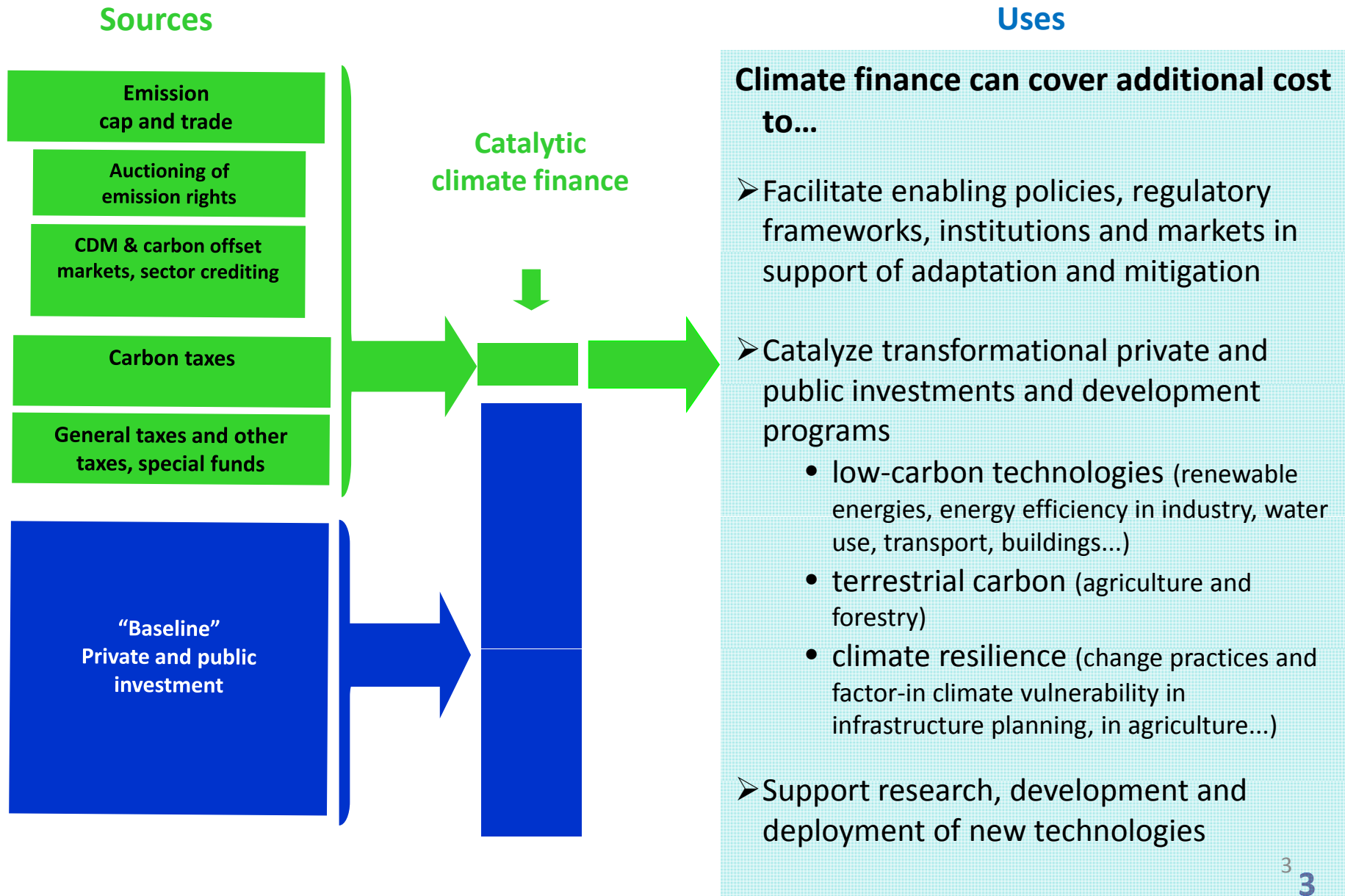


Source: World Bank, 2010

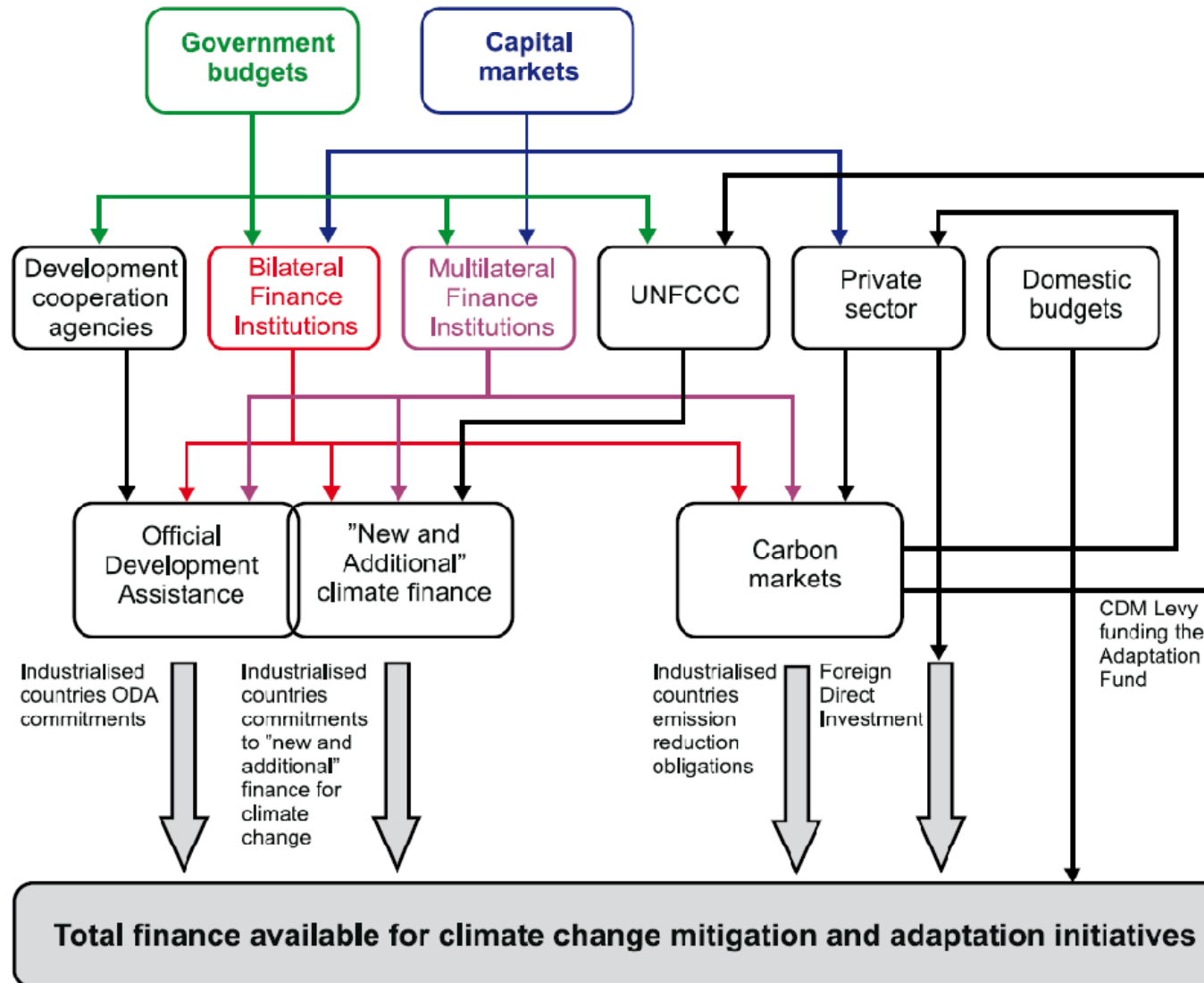
**Climate finance covers additional costs and serves to..**



# Climate Finance is a Catalyst

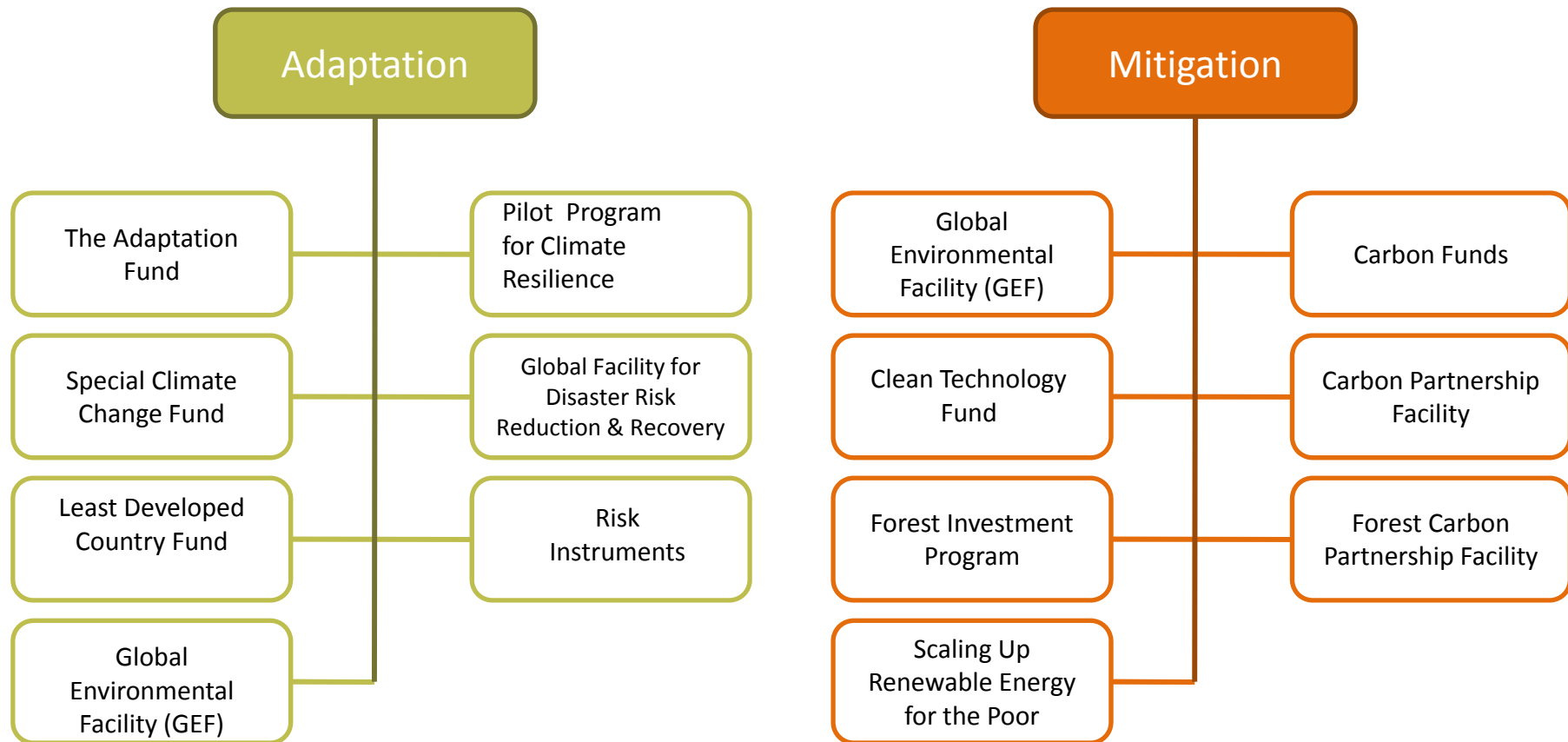


# Financial and Inv't Flows for Climate Action in Developing Countries



Type of flow	Amount (\$ bln p.a.)		Monitoring issues
	climate	non climate	
Carbon markets (avg. 2006-08)	6.6		<ul style="list-style-type: none"> <li>• Multiple and confidential primary transactions</li> <li>• Actual payment and investment flows unknown</li> </ul>
Resources under UNFCCC (avg.)	0.4		
Climate-specific concessional funds (avg.)	~ 4		<ul style="list-style-type: none"> <li>• Consistency and double-counting issues (multiple contributors and channels)</li> <li>• Additionality</li> </ul>
ODA (avg. 2005-07)	3.6	105.0	<ul style="list-style-type: none"> <li>• Co-benefits of development activities, notably for adaptation</li> <li>• MDBs do not report yet, in a consistent manner</li> </ul>
Non-DAC donor support (2007)	?	~ 7	<ul style="list-style-type: none"> <li>• Non exhaustive coverage (both sources and recipients)</li> <li>• Purposes unclear</li> </ul>
Philanthropia (2007)	?	~ 49	<ul style="list-style-type: none"> <li>• Non exhaustive coverage (both sources and recipients)</li> <li>• Purposes unclear</li> </ul>
Domestic resources (core budget, fiscal, and pricing reforms)	?	?	<ul style="list-style-type: none"> <li>• Very scarce information, not harmonized</li> </ul>
Underlying finance (2007)	?	3,990	<ul style="list-style-type: none"> <li>• Non exhaustive coverage</li> <li>• Purposes unclear</li> </ul>
GFCF	?	522	
FDI	?		

# A growing menu of climate finance instruments



# TERMINOLOGY

- *New* climate finance relates to *sources* from which they are raised or *channels* through which they flow
- *Additional* climate funds are those which exceed *targets* or *flows*

## NEEDS (1)

- Increasingly reliable, comprehensive and transparent reporting is needed to demonstrate that new climate finance instruments are not introduced at the expense of those targeting other objectives
- Exact and comparable figures on additional contributions to fund incremental expenses probably not possible
- Need to continue to develop and improve Rio Markers



## NEEDS (2)

- Two-track monitoring system: in addition to improving tracking at source, strengthen developing countries' capacity to monitor incoming flows and develop international standards
- Non-DAC donors to consider establishing recording and reporting systems comparable to OECD DAC
- MDBs to improve monitoring and reporting on mitigation and adaptation action by refining Rio Markers
- Around 2013-14, more comprehensive system needs to be adopted based on experience gained
- **Key objective of all ODA: Sustainable development outcomes**

## COMBINATION OF SOURCES

- Dedicated non-ODA climate funds
- Dedicated climate funds from ODA
- Share of climate co-benefits in core development assistance in ODA
- Share of climate co-benefits in MDB funds

# WORLD BANK PUBLICATIONS

## **Development, Climate and Finance Issues Briefs series (started May 2010):**

1. Monitoring Climate finance and ODA
2. Making the Most of Public finance for Climate Action
3. Beyond the Sum of Its Parts – Combining Financial Instruments for Impact and Efficiency

Six more planned until June 2011

[www.worldbank.org/climatechange](http://www.worldbank.org/climatechange)

# World Bank Portfolio Tracking: Status

- Tracking with appropriate granularity the WBG investments with adaptation and mitigation co-benefits across the entire portfolio and all core funding sources
  - part of broader work on a Results Framework for climate action
- **WB:** Following the sector/theme code model, introduce 2 new SAP fields linked to existing sector codes
  - based on investment activity typologies (to be vetted by respective Sector Boards), TTLs will allocate what percentage of a project's individual sector allocations could be attributed as adaptation and/or GHG co-benefits
  - tracking for GHG co-benefits is an interim solution and will be superseded by GHG analysis, if and when that is approved for the WB
- **IFC:** GHG analysis already introduced; manual tracking of adaptation investments given small number of projects

# Portfolio Tracking: Next steps

- Pilot ready by December 2010
- Coordination with IDB
- Workshop with MDBs, UNFCCC, UNDP, OECD, etc. in Jan.-Feb. 2011

# Fast Start Finance

- Transparency and delivery essential for success in Cancun
- Need baseline and tracking system
- [www.faststartfinance.org](http://www.faststartfinance.org) consortium and support group

# Facilitating access to climate finance: joint UNDP-WBG knowledge platform

The screenshot shows the homepage of the Climate Finance Options platform. At the top, there are logos for The World Bank and UNDP, and the title "CLIMATE FINANCE OPTIONS". Navigation links include "Home", "Funding Sources", "On the Ground", "Knowledge Centre", and "About". A search bar is located in the top right corner. The main content area is divided into several sections:

- My CFO**: A sidebar menu with sub-sections: "What's New", "News Featured Story" (COP15 United Nations Climate Change Conference 2009), "Project" (National Sustainable Electrification and Renewable Energy Program, Nicaragua), "List of Acronyms", and "Related" (Climate Change, Adaptation, Mitigation, Carbon Finance).
- OVERVIEW**: A central text block stating the platform's purpose: "This platform aims at providing comprehensive guidance on financial options available for climate action in developing countries. Here you can find information on where to access the wide range of funds available from multilateral and bilateral institution, as well as public and private sources. Learn more on how these funds are governed and whether your project is eligible. Users are invited to be a resource to share their experiences with investment projects and offer feedback and comments on ongoing projects."
- FUNDING SOURCES**: A section with an image of hands holding money and text: "Find funds that are available for both adaptation and mitigation projects that reduce impacts of climate change. See whether your project is eligible, what the governance structure for these funds is, and how to access them."
- ON THE GROUND**: A section with an image of people in a field and text: "Learn about projects from across the world and a range of sectors that have accessed these funds successfully. They have used a mix of these instruments innovatively and are now a source of inspiration for those waiting to hit the ground."
- KNOWLEDGE CENTRE**: A section with an image of people at a computer and text: "Expand your financial literacy with our glossary of finance and climate change terms, analyze your project using our compilation of business tools from around the Web, and peruse a host of guides and funding documents to ensure your project's success from planning to implementation."

At the bottom, there is a copyright notice: "© 2009 Climate Finance Options. All Rights Reserved. Legal Information & Privacy Policy" and photo credits.

Developing one vehicle for UN agencies and MDBs to provide information and experiences on climate finance and track financial flows

[www.climatefinanceoptions.org/cfo](http://www.climatefinanceoptions.org/cfo)