

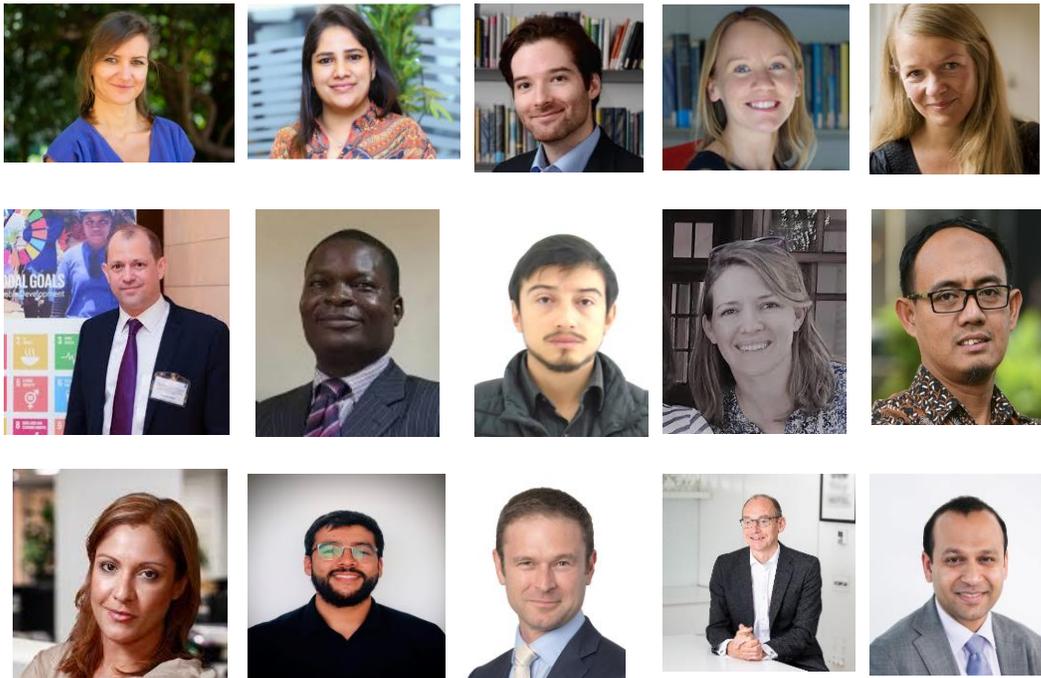
Domestic Climate Finance Mapping and Planning: Virtual Workshop, 2021 – Summary

Workshop! Domestic climate finance mapping and planning
CHALLENGES AND OPPORTUNITIES

PRACTITIONERS' VIRTUAL WORKSHOP

EUREDD Facility **EFI** CLIMATE POLICY INITIATIVE

DATE: Thursday, 21st January 2021
TIME: 8 h00 Bogota | 13h00 London | 14h00 Paris | 7h00 Bangkok
VENUE: Online via **DURATION:** 2 hours



About the Workshop Series

In 2019, on the sidelines of COP25 in Madrid, the European Forest Institute, Climate Policy Initiative, and UNDP organized an interactive workshop that brought together governments and implementing organizations actively engaged in tracking and mapping domestic climate finance or considering doing so. Participants exchanged ideas, tools, and methods related to climate finance mapping and tracking to better understand practitioners' needs and priorities to support the implementation of national climate strategies.

On January 21, 2021, we hosted a virtual follow up workshop to:

- Share updates and lessons learned among the community of practitioners about recent efforts to track and map domestic climate finance, including efforts to better capture public and private sector finance and to measure progress in line with national plans and Paris Agreement objectives.
- Provide an update on related international reporting requirements and transparency efforts.

The workshop, funded by the EU REDD Facility and the International Climate Initiative (IKI) of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), was attended by over 200 participants (listed in Annex A) from more than 60 countries. The overall workshop was moderated by **Dr. Angela Falconer**, Director, Climate Policy Initiative.

This report summarizes key insights from the discussions. The recording and presentations are available [here](#).

Introduction

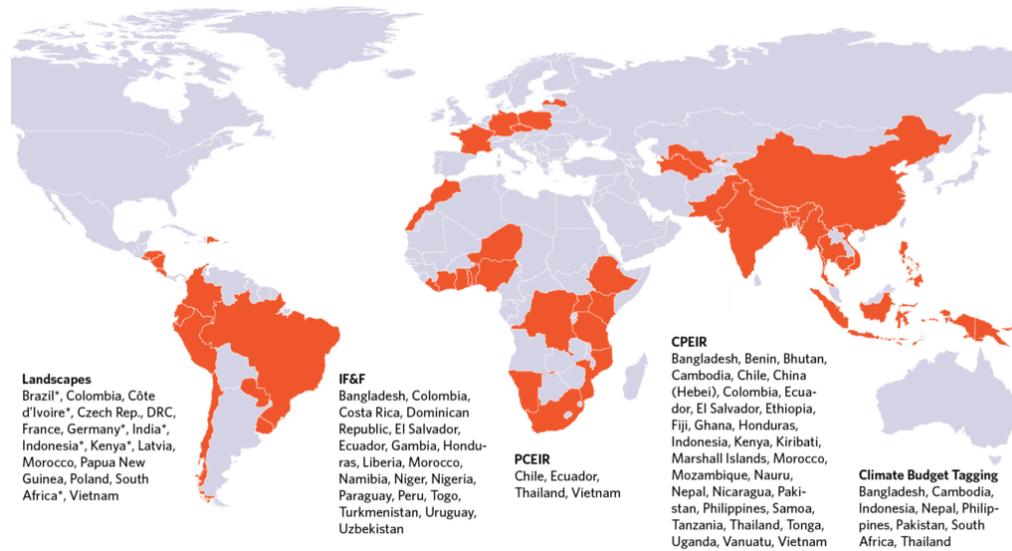
- **Adeline Dontenville**, Land-use finance Lead, European Forest Institute
- **Chavi Meattle**, Senior Analyst, Climate Policy Initiative
- **Padraig Oliver**, Programme Officer, Climate Finance, UNFCCC

The introductory session highlighted that:

- Several climate finance mapping and tracking approaches and tools are being used by various countries, differing in their geographical scale, sectoral scope, and methodological approaches (see Figure 1).
- The primary goals of such public and private spending and investment tracking exercises is to identify financial needs and gaps to enhance resource mobilization strategies and improve planning and mainstreaming of climate action into national and sectoral budgets. Furthermore, they have the potential to provide useful information for the

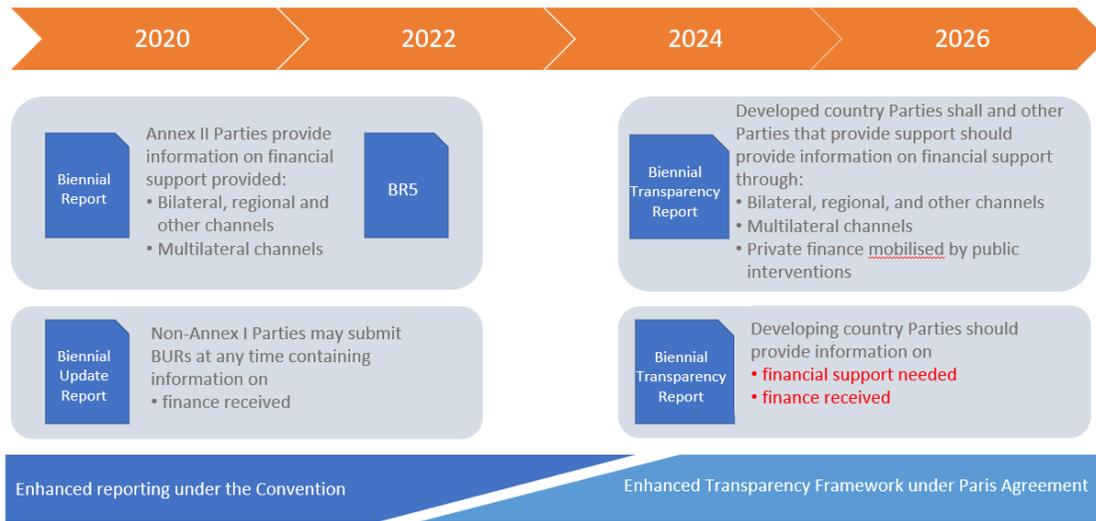
private sector and institutional investors, although more information is needed to inform and incentivize climate-compatible investments.

Figure 1: Past and ongoing national climate finance tracking initiatives



- The relevance of domestic climate finance tracking to the UNFCCC process is twofold:
 - **At the national level:** National reporting under the 'Enhanced Transparency Framework' of the Paris Agreement requires Annex II parties and non-Annex I parties to report on the climate finance support provided and received/needed, respectively in their biennial transparency reports.
 - **At the collective level:** Domestic tracking can support a global stocktake on climate finance. Such information can feed into the two reports prepared by the Standing Committee on Finance related to implementing the Convention and the Paris Agreement, which are 1) 'Biennial Assessment and Overview of Climate Finance Flows' which provides an ex-post view of global climate finance flows along with information on domestic climate finance and; 2) 'Determination of the needs of developing country Parties' which focuses on ex ante requirements of finance from developing countries.

Figure 2: Climate finance reporting changes under Enhanced Transparency Framework of the Paris Agreement



- A cross-cutting challenge for tracking exercises is to ensure that data and results are translated into policy action. Several success factors can contribute to supporting that shift:
 - The institutionalization of accountability frameworks and the definition of clear metrics at both the international and country-level are needed e.g., transparency of public and corporate investments into natural assets should progressively become the norm.
 - Tracking approaches need to consider domestic contexts: there can be tremendous differences in how countries define and articulate sustainability and Paris alignment. Tailored approaches therefore greatly increase the ownership of such processes.
 - Better articulation of the benefits and opportunities for all stakeholders: such as improving public revenue collection, reducing the asymmetry of information of land-use actors, or helping financial institutions assess the impact and alignment of their investments.
- Climate finance mapping and tracking has been a fast-evolving field of work over the past 10 years. As more climate finance tracking and disclosure initiatives (like the Coalition of Finance Ministers for Climate Action, Task Force on Climate-related Financial Disclosures, etc.) are implemented, taxonomies and methodologies (EU Sustainable Finance Taxonomy, MDB Paris Alignment Working Group) evolve. Furthermore, from early efforts to define climate finance and tag climate expenditure, we have now moved into tracking flows at different scales, measuring alignment of investments to climate objectives and tracking private flows and approaches to leverage private investment. This progress illustrates the growing need to integrate finance tracking and monitoring into day-to-day planning and investment decisions.

Panel I: Using national climate finance tracking to drive increased policy ambition, improved climate finance reporting and mobilization of resources

This panel brought together country representatives and practitioners to focus on impact, highlighting how climate finance tracking has successfully supported or intends to support policy ambition setting, climate finance mobilization, and climate finance reporting. 2021 is a crucial year for climate negotiations with a lot of discussion in the lead up to COP26 on ambition and increased support, especially in light of the Covid-19 pandemic. Preventing the next crisis means we must act on climate action now and not allow progress to be slowed.

Moderator: Tom Beloe, SDG Finance Advisor, UNDP

Panelists:

- **Diego Teca**, Sub-Secretary for Climate Change, Ministry of Environment and Water, Ecuador
- **Noor Syaifudin**, Senior Policy Analyst, Fiscal Policy Agency
- **Peter Odhengo**, Senior Policy Advisor on Climate Finance, Kenyan Treasury
- **Sarah McPhail**, Financial Sector Policy, National Treasury of South Africa

Some of the key needs emphasized during these discussions included:

- **Integrating climate finance tracking into public budgeting is key for strategic budget formulation and resource mobilization:** All the countries represented in the panel considered climate budget tagging as an important tool for effective planning and allocation of budgetary resources to implement NDCs, and raising resources beyond domestic finance. For instance, in Indonesia climate budget tagging data was used as a reference for the **issuance of the Green Sukuk (green bond)** to finance climate change actions, and also achieve the SDGs target. It was also stressed that we need to focus on a **just transition** to a low carbon and resilient economy, and look at its impact on social objectives and other overarching issues of poverty, environment, and equality.
- **Significant efforts are underway for gender mainstreaming:** Given climate change is not gender neutral, gender mainstreaming is given paramount importance in climate change strategies, policies, and action plans. For instance, Ecuador is developing a gender relevant climate index as part of the Climate Public Expenditure and Institutional Review (CPEIR) currently ongoing, which will be available publicly in next couple of months.
- **We need to continue to strengthen climate finance institutional frameworks for greater private sector participation:** A key building block to mobilize private finance is to provide robust evidence and transparency through robust and comparable taxonomies,

methods, and metrics. South Africa, for instance, recently released a technical paper to introduce a green finance taxonomy to standardize green bond issuances, projects, and resource mobilization around debt. This follows a big bang approach targeting the whole financial sector, including banks, insurance, private equity, venture capital, collective investment schemes, etc., to improve disclosures around Task Force on Climate-related Financial Disclosures and climate risk management.

- **Extending tracking initiatives to adaptation and other sectors:** Indonesia recently implemented climate budget tagging for adaptation actions; around 43% of its climate budget allocation in 2020 focused on adaptation spending. Ecuador's national strategy of climate change is also covering six sectors for adaptation. South Africa initially started with climate change but also trying to incorporate biodiversity, circular waste economy, and other environmental objectives.

Also, countries are focused on adopting a holistic approach and focusing these tracking initiatives at national, provincial and local government level. For instance, Indonesia has already piloted subnational government budget tagging in 2020 for 11 provinces.

- **2021 is not only a year for raising ambition but also for increasing action:** The panelists highlighted the following focus areas for 2021 - building evidence and information systems to inform ambition and implementation, raising awareness on climate change and capacity building with regional and local governments, extending metrics and frameworks to other financing mechanisms like municipal bonds to mobilize private sector, incorporating equity and just transition considerations, and strengthening budget effectiveness.

Panel II: How national climate finance tracking can be leveraged to align public and private actors' investments with the Paris Agreement?

Moderator: Amal-Lee Amin, Director, Climate Change, CDC Group

Panelists:

- **Clifford Polycarp**, Deputy Director, Country Programming, Green Climate Fund
- **Chris Dodwell**, Head of Policy and Advocacy, Director, Impax Asset Management
- **Nathan Fabian**, Chief Responsible Investment Officer at PRI and Chairperson at European Platform on Sustainable Finance
- **Francisco Dall'Orso**, Climate Change Unit of the Ministry of Energy, Chile

This panel focused on the how private and public actors can achieve systemic transformation by not only tracking project level investments but also tracking financial system change. Paris Agreement, in particular Article 2.1c, calls for making all finance flows consistent with a pathway

towards low greenhouse gas emissions and climate-resilient development. In this context we need to ask if companies, institutions, countries are doing what is needed to ensure that their financial decisions are aligned with the objectives of the Paris Agreement. If not, what actions are needed to accelerate progress, and how can various tracking initiatives support these public and private actors?

Some key discussion points that emerged during this panel were:

- **It is critical to build baselines and credible sectoral roadmaps to mobilize finance:** With a few notable exceptions, the policy response to date at the national level has not focused sufficiently on financing requirements, and therefore does not provide a clear enough baseline on financial flows, making it very difficult to track progress. Similarly, the major barrier to the mobilization of private sector capital is the absence of credible sectoral roadmaps which (a) clarify where private capital needs to be deployed into new infrastructure and technologies and, (b) are underpinned by investment-grade policies needed to attract private capital.

Increased ambitions need to be **supported by investment plans and business cases** to be able to meet objectives of conventions including aligning financial flows. A case in point is the UK's Committee on Climate Change 6th Carbon Budget Report (published in December 2020) which provide detailed investment requirements by sector for the transition. Also, Chile is committed to achieve carbon neutrality by 2050 and is applying UNDP's Investment and Financial Flows (IF&F) assessments to identify ways to achieve neutrality in the most cost-effective way possible. It will be also used to track climate actions and its related financial flow, in order to comply with the transparency framework that the Paris Agreement mandates in its Article 13.

- **Establishing harmonized approaches and common metrics to mobilize greater private sector investment:** While all panelists acknowledged that supply of private capital exists, the adoption of comparable and transparent taxonomies and benchmarks remain the real game changer to be able to shift financing and lending into climate-friendly investments, as well as in the capital markets. It is critical that policy makers work closely with the financial sector to translate policy goals into economic activities and standardise approaches, as seen in the case for the EU Taxonomy. This will increase transparency, reduce perceived (and actual) risk of green washing and information asymmetries, and will provide private investors with confidence that their investment is really going towards climate goals.
- **Focus on effectiveness:** It is important to recognize that the tracking of climate finance is not simply a matter of calculating and aggregating investments and flows. For starters, unlike emissions of CO₂ not all investments are equal and it will be necessary to monitor the real world impacts of investments and finance in different sectors very carefully.

Building such robust information on finance flows and institutionalizing it will enable investors to make more informed and valuable investments.

- **Focus on adaptation and climate resilience:** Panelists also highlighted that it is essential that we go beyond tracking the decarbonization of portfolios by tracking investment in climate solutions including adaptation and resilience. The 'Coalition for Climate Resilient Investment' is the step in the right direction – as it fosters more efficient integration of physical climate risks in investment decision-making by public and private institutions.

Next Steps and Closing Remarks

In concluding remarks, Dr. Barbara Buchner, Global Managing Director, Climate Policy Initiative stressed that:

- Assessing progress under the Paris Agreement will be impossible without proper systems to track climate expenditures and investments being made by the full range of public and private actors. If countries are to achieve their NDCs and reach net-zero carbon emissions by 2050, ambitions need to be set high. **Clear roadmaps and comparable criteria** need to be designed and implemented starting now. Tracking climate finance is the basis for monitoring action and understanding which capacities and incentives need to be built to mobilize greater investments.
- There is a need, more than ever in light of the Covid-19 crisis, to **support resource mobilization**. Even prior to COVID-19, we were already falling short of trillions required to avoid and adapt to climate change. And now, with such an altered monetary and fiscal space, it is more crucial to ensure that public and concessional finance are efficiently utilized; and adequate private capital is mobilized to shift and remain on a path to net-zero. **Greater transparency on financial data** by all key stakeholders will support and ramp our efforts in this direction. In this context, we need a more effective national policy response and credible roadmaps for sectors and countries; we need more details on how NDCs will be achieved and better metrics on progress, also tracking implementation of green recovery commitments.
- **Harmonized approaches and standardized criteria and benchmarks** to identify climate aligned finance will help countries, financial institutions, and companies understand what has to be funded as a priority, where and when and how. The Covid-19 crisis is a wake-up call on the need to manage climate risk before it threatens our global systems. But information at the moment is fragmented - we need better information to inform organisations' investment and policy decisions. Initiatives such as Climate Policy Initiative's 'Net Zero Finance Tracker,' at the global and national level, focusing on assessing Paris



Alignment across the financial and policy system can help make sense of the information currently available and build partnerships to fill knowledge gaps and engagement.

- There is a clear need for greater coordination and collaboration on harmonized approaches and robust information systems by both public and private sector; and the creation of more systemic incentives at the country level to ensure the effectiveness of finance.

Resources shared by the participants:

- Climate Policy Initiative - 'Guidelines for Building a National Landscape of Climate Finance' - provides step-by-step guidelines for building a national landscape of climate finance. <http://bit.ly/2Nk6afD>
- Jack Radmore, GreenCape, South Africa - 'The South African Climate Finance Landscape'. <https://www.green-cape.co.za/content/south-african-climate-finance-report-tracks-r62-2-billion-in-annual-climate-finance/>
- Hans Peter Dejgaard, INKA, Denmark - 'Climate Adaptation Finance: Fact or Fiction'. <https://www.care-international.org/news/press-releases/developed-nations-hugely-exaggerate-climate-adaptation-finance-for-global-south>, Care International.
- Kate Power, OECD – 'Enhancing subnational climate-related finance' <https://www.oecd.org/regional/enhancingsubnationalclimate-relatedfinance.htm>
- Nina Wettern, BMU, Germany. The International Climate Initiative (IKI) of the German Federal Environment Ministry has developed an indicator that records the mobilization and catalyzation of additional private and public capital in IKI projects. The indicator is linked to the processes of UNFCCC - Paris Agreement, OECD - Creditor Reporting System and EU processes. The implementation will start in February 2021.
- Gift Richard Maloya, The Initiative for Climate Action and Development (ICAD): ICAD is currently undertaking a study to understand the impacts of climate change on the private sector and ensuring an effective private sector engagement for Malawi National Adaptation Plan (NAP) with support of the Global NAP network.
- Sarah McPhail, South Africa Treasury - South Africa budget guidelines are available here: <http://www.treasury.gov.za/publications/guidelines/2021%20MTEF%20guidelines.pdf> and on the private finance sector and development of green finance taxonomy and sustainable finance recommendations are available here: <https://sustainablefinanceinitiative.org.za/>
- Federico Mazza, Climate Policy Initiative - 'The Landscape of Climate Finance in Kenya' will be published by end of January 2021. It will provide a detailed overview of domestic, international, public and private climate finance disbursed in Kenya in 2018. The report was commissioned by the Government of Kenya through the National Treasury and Planning and prepared by Climate Policy Initiative through the IKI funded GNIplus programme.
- Chris Dodwell, Impax – 'The UK Committee on Climate Change 6th Carbon Budget Report' <https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf>.

Annex A: Attendees

| S. No | Organizations | Participants' Country of Work |
|-------|--|--|
| 1 | Aether | United Kingdom |
| 2 | AFD | France, Nigeria |
| 3 | Are You Climate Ready | United Kingdom |
| 4 | Banco Central do Brasil | Brazil |
| 5 | BDO | Indonesia |
| 6 | Bertha Centre | South Africa |
| 7 | C40 Cities | Kenya |
| 8 | CDC Group | United Kingdom |
| 9 | Center for Global Development | United States of America |
| 10 | CIRAD | France |
| 11 | Climate Action Network Europe | Belgium |
| 12 | Climate Analytics | Mexico, Togo, United States of America |
| 13 | Climate Analytics Inc. | United States of America |
| 14 | Climate Change Committee | United Kingdom |
| 15 | Climate Finance Pathfinder | United Kingdom |
| 16 | Climate Policy Initiative | Brazil, India, Indonesia, United Kingdom, United States of America |
| 17 | COWI A/S | Denmark |
| 18 | CVM | Brazil |
| 19 | Department of Climate Change, Federal Ministry of Environment | Nigeria |
| 20 | Department of Climate Change, Federal Ministry of Environment | United States of America |
| 21 | Department of Meteorological services | Botswana |
| 22 | Dept. of Climate Change, Federal Ministry of Environment | Nigeria |
| 23 | Division of GHG Inventory and Mitigation Department of Climate Change Ministry of Natural Resources and Environment | Lao People's Democratic Republic |
| 24 | Durham University | United Kingdom |
| 25 | E Co | Czechia |
| 26 | Earth Security | Philippines, United Kingdom |
| 27 | ECCC | Canada |
| 28 | Economic Affairs Division, Ministry of Finance, Economic Affairs and Investment | Barbados |
| 29 | European Forest Institute | Spain, Germany |
| 30 | Emergent | United States of America |
| 31 | Enabel | Mali |
| 32 | Energy Community | Austria |
| 33 | Environmental Protection Agency | Ghana |

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| 34 | European Commission | Belgium, Liberia |
| 35 | European Environment Agency | Denmark |
| 36 | UK Foreign and Commonwealth and Development Office | United Kingdom, Pakistan |
| 37 | Federal Ministry for Environment, Nature Conservation and Nuclear Safety (BMU) | Germany |
| 38 | Federal Ministry of Environment | Nigeria |
| 39 | Federal Ministry of Environment | Abuja |
| 40 | Federal Office for the Environment | Switzerland |
| 41 | Freelance | Nepal |
| 42 | Financial Sector Policy Unit, National Treasury | South Africa |
| 43 | Fiscal Policy Agency | Indonesia |
| 44 | Freelance | United Kingdom |
| 45 | French agency for development (AFD) | France |
| 46 | Gauss International Consulting | Spain |
| 47 | GHGMI | Italy |
| 48 | GIZ | Germany, Honduras, Philippines, Ukraine, Mexico |
| 49 | Green Climate Fund | Korea |
| 50 | GreenCape | South Africa |
| 51 | Heinrich Boell Stiftung | United States of America |
| 52 | I4CE | France, United Kingdom |
| 53 | ICAT | - |
| 54 | ICU | Lebanon |
| 55 | IKEM | Germany |
| 56 | Impax Asset Management | United Kingdom |
| 57 | ImplementaSur | Chile |
| 58 | Independent Consultant | India, Mexico |
| 59 | INKA Consult | Denmark, Sweden |
| 60 | Institute for Climate and Sustainable Cities | Philippines |
| 61 | Institute for European Energy and Climate Policy | Netherlands |
| 62 | IOM | Mali |
| 63 | Ithaca Environmental | Mexico |
| 64 | Kenyan Treasury | Kenya |
| 65 | Khobregan energy company | United Arab Emirates |
| 66 | KU CPH | Denmark |
| 67 | KUZMANOVIC 2020 DOO | Serbia |
| 68 | MAA | France |
| 69 | MAAE/PNUD | Ecuador |
| 70 | MCO | United Kingdom |
| 71 | MINEX | Guatemala |
| 72 | Ministère du cadre de Vie et du Développement Durable | Benin |

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| 73 | Ministério da Economia e Finanças | Mozambique |
| 74 | Ministerio de Ambiente | Uruguay |
| 75 | Ministry for the Environment, Climate Change and Planning | Malta |
| 76 | Ministry of Energy | Chile |
| 77 | Ministry of Environment | Dominica, Lebanon |
| 78 | Ministry of Environment and Sustainable Development | Congo |
| 79 | Ministry of Environment and Water | Ecuador |
| 80 | Ministry of Foreign Affairs | Netherlands |
| 81 | Ministry of Tourism and Environmental Affairs | Eswatini, United States of America |
| 82 | Ministry of Finance | Indonesia |
| 83 | MONRE | Lao People's Democratic Republic |
| 84 | Natural eco capital | Nigeria |
| 85 | NHIA | Ghana |
| 86 | NIRAS Finland | Finland |
| 87 | Oasis Loss modelling framework | United Kingdom |
| 88 | ODI | Switzerland |
| 89 | OECD | France |
| 90 | Office of the Prime Minister | Jamaica |
| 91 | Palladium | Gabon |
| 92 | Philippine Center for Environmental Protection and Sustainable Development, Inc. | Philippines |
| 93 | Planet Tracker | United States of America |
| 94 | Policy Analytica | Pakistan |
| 95 | UN PRI | United Kingdom |
| 96 | Refinitiv | Singapore |
| 97 | SIDBI | India |
| 98 | Ss Cyril and Methodius University, Faculty of Economics | North Macedonia |
| 99 | Sustainable finance | Mexico |
| 100 | TNC | Brazil |
| 101 | UGM | Indonesia |
| 102 | UK Government | United Kingdom |
| 103 | UNDP | Chile, Côte d'Ivoire, Ecuador, Eswatini, Indonesia, Mali, Nigeria, North Macedonia, Panama, Rwanda, Serbia, Switzerland, Thailand, Togo, Turkey, United Kingdom, United States of America |
| 104 | UNEP | Switzerland |
| 105 | UNEP DTU Partnership | Denmark |
| 106 | UNFCCC | Germany |
| 107 | University College Dublin | Ireland |
| 108 | University of Birmingham | United Kingdom |

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|-----|-------------------------------|--------------------------|
| 109 | University of York | United Kingdom |
| 110 | VWIL | India |
| 111 | WayCarbon Soluções Ambientais | Brazil |
| 112 | World Resources Institute | United States of America |
| 113 | Yayasan Titian Lestari | Indonesia |

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