Monitoring and tracking climate finance

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Driving trillions for a low-carbon, climate resilient economy

Tracking finance flows is a foundation of CPI’s strategy

ASSESS
State of Finance
Understanding investors and investment trends

ADVISE
Effective Finance
Accelerating effective use of public and private resources

SCALE
Transformative finance
Developing and scaling transformative solutions
CPI Tracking workstream at Global, Sectoral and National levels

Global Landscape of Climate Finance, since 2012

Energizing Finance – Landscape for energy access finance for SE4ALL, since 2017

Landscape of Renewable Energy Finance with IRENA

National Landscapes in Germany, Indonesia and Ivory Coast

International Development Finance Club (IDFC) – Green Finance Mapping since 2015
The Lab identifies, develops, and launches innovative finance instruments that can drive billions in private investment to action on climate change and sustainable development.

- 35 instruments launched
- 60+ public and private Lab Member institutions
- 300+ supporting experts, nearly half from developing regions
• Current state of global and national climate finance

• Need for tracking national climate finance

• Overview on how and what to track
The role of climate finance in a global context
Sustainable investment is critical to tackle the key global challenges of the 21st century.

**Climate Change** – Meeting the Paris Agreement goals and ramping up ambition in emissions reductions.

**Sustainable Development** – Meeting the Sustainable Development Goals.
The vast majority of finance is spent domestically

**SOURCE**

**OEC**D $236 bn

- **OEC**D from **domestic** sources $162 bn
- **OEC**D from **international** sources $32 bn

**Non-OEC**D $228 bn

- **Non-OEC**D from **international** sources $57 bn
- **Non-OEC**D from **domestic** sources $214 bn

**DESTINATION**

81% Spent domestically
In non-OECD regions, East Asia and Pacific are the largest destination for climate finance.
More work needs to be done in tracking climate finance

- **Private**
  - Renewable Energy: 238
  - Energy Efficiency: 231*
  - Sustainable Transport: 11
  - Land Use: NA
  - Adaptation: NA
  - Other: NA

- **Public (DFIs & Int’l Finance)**
  - Renewable Energy: 57
  - Energy Efficiency: 29
  - Sustainable Transport: 81
  - Land Use: 4
  - Adaptation: 22
  - Other: 21

- **Public (Domestic Finance)**

All figures in USD Billions

- Tracked
- Not tracked

* Source: IEA WE/O 2017
Domestic climate expenditure by national and subnational governments are not readily available.

Data is not collected regularly or with consistent methodology over time within or across countries.

<table>
<thead>
<tr>
<th>Source</th>
<th>No. of Reporting Countries</th>
<th>Amount (USD mn) 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biennial Update Reports (BURs)</td>
<td>5 (Developing)</td>
<td>335</td>
</tr>
<tr>
<td>Climate Public Expenditure and Invt. Reviews (CPEIRs)</td>
<td>14 (Developing)</td>
<td>16,500</td>
</tr>
<tr>
<td>EC budget France (I4CE)</td>
<td>1</td>
<td>49,045</td>
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</tbody>
</table>

Source: UNFCCC BA, 2018
What are we missing?

• Lack of harmonisation/standardisation and common understanding of climate related terms and methodologies

• Methodologies for identifying climate related expenditures and classification of climate change components of the project

• No requirement of reporting domestic public and private climate finance – encouraged but optional
How to address the issue?

• **Capacity-building** – sector ministries require support to develop climate responsive budgets.

• **Public finance management reforms** – performance based budgeting to tie budget expenditure to outcome

• **National tracking of climate finance flows** – clear mandate for collecting or collating data

• **Estimation of financing needs** - Quantifying the climate finance gap in relation to their climate change strategies
Why track national climate finance?
What are the main financing gaps, opportunities and priorities?

Planning

- Understand the nature and volume of climate finance, main sources, actors and sectors

- Identify financial gaps and barriers to investment to prioritise action and mobilize resources
Example: Planning REDD+ at sub-national level in Vietnam

PLANNING

- Quantified the volume of planned financing for REDD+

- Identified key financing gaps for the implementation of REDD+ Action Plan 2020

- Integrate forest safeguards in new Planning Law

OVERVIEW OF PLANNED PUBLIC INVESTMENTS IN LAND-USE IN THE CENTRAL HIGHLAND REGION, VIET NAM, 2016-2020

SOURCES AND INTERMEDIARIES

- NATIONAL BUDGET 6,930
- PROVINCIAL BUDGET 2,543
- STATE BONDS 2,986
- ODA GRANTS 1,142
- ODA LOANS 5,469
- OFFSET PLANTATION 4,063
- PFES 3,360
- OTHER 671

TARGET SECTORS

- AGRICULTURE AND RURAL DEVELOPMENT 16,210
- FOREST PROTECTION AND ENVIRONMENT 4,627
- SOCIAL POLICIES 3,651
- INFRASTRUCTURE 4,476

KEY

Aligned to NRAP
Planned activities which contribute to reducing deforestation drivers and to enhancing and protecting forests in coherence with policies and measures promoted by the National REDD+ Action Plan (NRAP - Decision 419)

Non-aligned
Planned activities whose impact on the forest cover is unknown. These planned activities are not aligned with the objectives of the NRAP but could be if certain enabling conditions were in place.
How to align investments to climate objectives?

Aligning

• Identify options to redirect brown flows to sustainable activities and climate objectives.

• Inform national/jurisdictional cross-sectoral discussion on coherence and coordination of climate investments.
Example: Redirecting forest-risk investments in Côte d’Ivoire

- Identified and quantified public investments potentially increasing the pressure on forests
- Informed cross-sectoral dialogue on the coherence of spending
- Mainstreaming of forests in the planning process
How much finance is flowing to climate aligned activities?

**Monitoring**

- Baseline for implementation of national strategy or program
- Periodic assessments
- Increase transparency & accountability
Example: Tracking climate finance in Indonesia

Results

✓ Baseline of public spending for climate action to inform investment planning and track resource mobilisation

✓ Led to budget tagging for climate change
How and what to track?
Steps in Climate Finance Tracking

- Scoping the mapping exercise
- Setting the mapping framework
- Building definitions in context
- Data collection
- Data consolidation
- Data analysis
- Using the results

*Source: CPI – EFI, Land-use Finance Tool, 2019*
Scoping the mapping exercise – Key Questions

Develop a ‘vision’ for the project and set a clear purpose

• What is your reference policy framework to base definitions and analysis on?

• Should map both green and brown flows?

• What geographical scope/scale?

• Which sectors are of interest?

• What sources of finance will be included? Private or public? Domestic or international?
Developing a stakeholder engagement strategy

Develop an idea about who to involve and consult, why and how often

- Who should be involved & what will their role be?
- What challenges are foreseen in engaging stakeholders?
- What are the benefits/ incentives for each stakeholder to engage and share information/data?
- How and when should stakeholders be engaged
Developing a climate finance definition

Assess options for building a climate finance definition and typology in the national context

• What steps should be followed to develop a detailed national/jurisdictional level definition of climate-relevant finance?

• Which sectors and activities might be considered misaligned / aligned / conditionally-aligned?
Côte D’Ivoire REDD+ Finance Landscape - definitions

**Climate-aligned**
- Contributed to climate change mitigation and/or adaptation
- Plantation forestry management
- Sustainable forest management
- Aforestation/reforestation
- Enabling conditions (e.g., policies, enforcement and capacity building)
- Conservation of forests
- Forest monitoring systems

**Conditionally-aligned**
- Can contribute to climate change mitigation under certain circumstances
- Increased productivity of family agriculture
- Improved yields for small-holders in palm oil production
- Increased demand for family agriculture produce
- Road building and freight subsidies
- Extension services for small-holder producers

**Climate-misaligned**
- Is a driver of deforestation and/or forest degradation or decreases resilience in land use systems
- Unsustainable commercial logging
- Subsistence agriculture
- Commercial agriculture
## Example of Differences in Definitions

<table>
<thead>
<tr>
<th>Nuclear?</th>
<th>Electric vehicle and hybrids?</th>
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<tbody>
<tr>
<td></td>
<td>Fossil fuel-based lower-carbon and energy-efficient generation (e.g., efficient coal plants)</td>
</tr>
<tr>
<td>Primary and secondary market transactions?</td>
<td>Policy-induced revenue support mechanisms?</td>
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</table>
Setting the mapping framework

Identify elements of the climate finance mapping framework

- Which dimensions of flows are to be mapped?
- How do flows relate to each other?
- What format should the output have?
Data Collection

- Where to find data?
- How to assess its quality?
- How to identify gaps in data and fill them?
- How to assess supporting information?

Data Consolidation & Categorisation

- How to check quality of consolidated data?
- How to categorise data to support objectives of mapping?

Data Analysis & Presentation

- What are the key quantitative and qualitative analytical questions to consider?
- What to do if results are inconsistent with other sources, controversial or limited?
Using the results

Interpret results and inform policy or project processes

• How can results be used for monitoring and reporting?

• How can results be used to align finance to climate objectives?

• How can results be used for resource mobilization?
In summary

• National climate finance tracking helps to
  • identify financing gaps and opportunities,
  • align flows and instruments for maximum impact and scale,
  • measure progress,
  • effective and efficient use to public finance to mobilise private investment

• Scoping of mapping exercise is crucial – ask as many questions at this point.

• A solid and well-thought-off stakeholder engagement is a prerequisite for climate finance mapping
Thank You

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