AFRICAN ADAPTATION PROGRAMME REPUBLIC OF MAURITIUS

KNOWLEDGE FAIR ON CLIMATE CHANGE

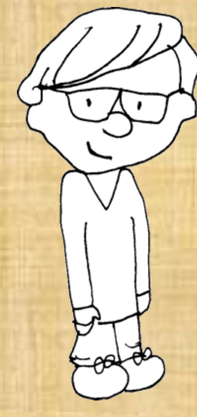
CLIMATE FINANCE READINESS

By
DR AGNES A BABUGURA

BRIEF BACKGROUND

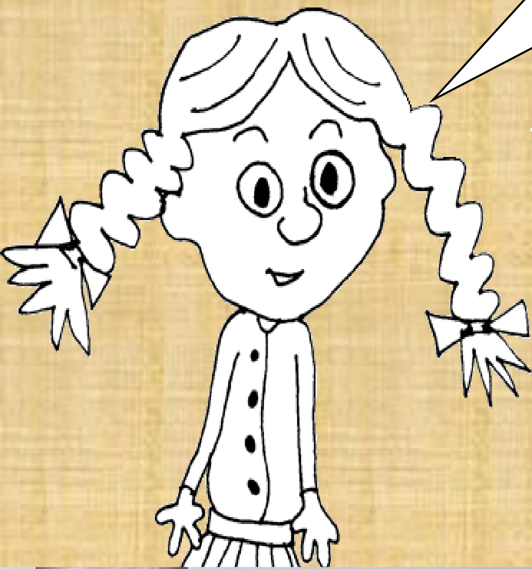
What is climate change?

Any change in climate over time, whether due to natural variability or as a result of human activity.

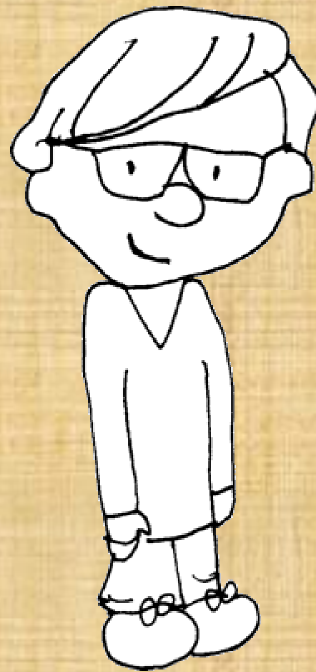


- It has engendered considerable international debates that have dominated the environmental agenda since the mid-1980s.

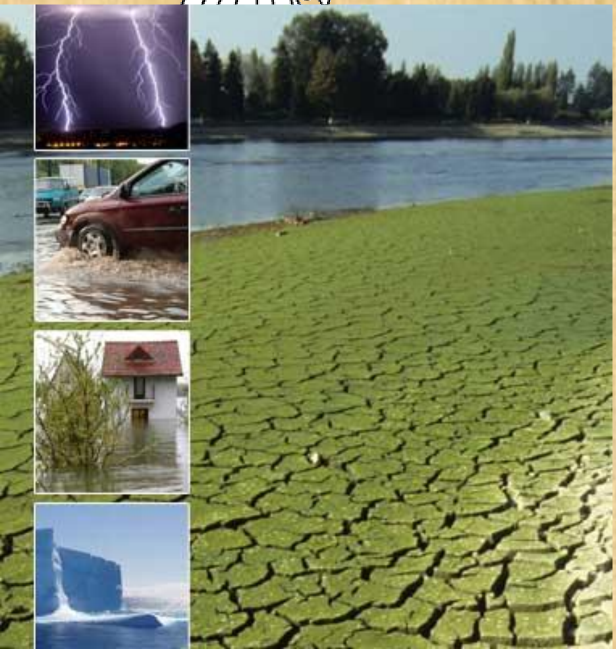
- Currently addressing the threat of climate change is a global priority.

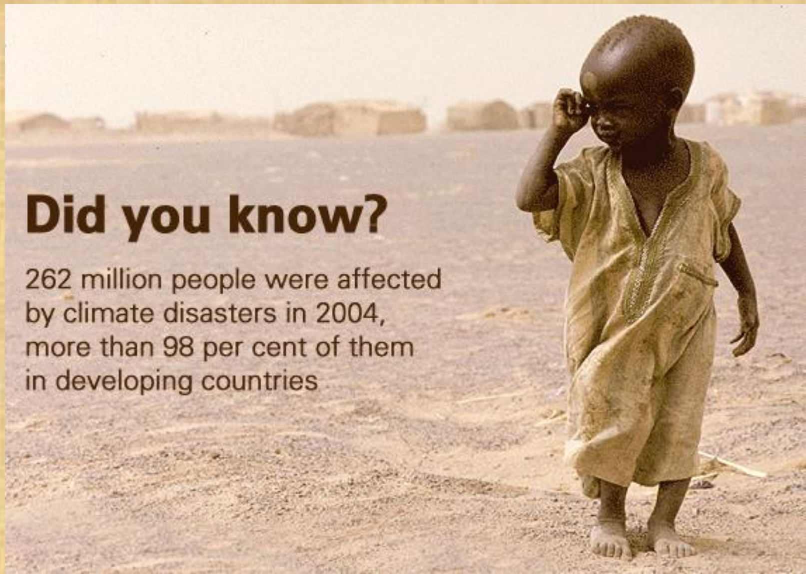


So the world's weather is changing?



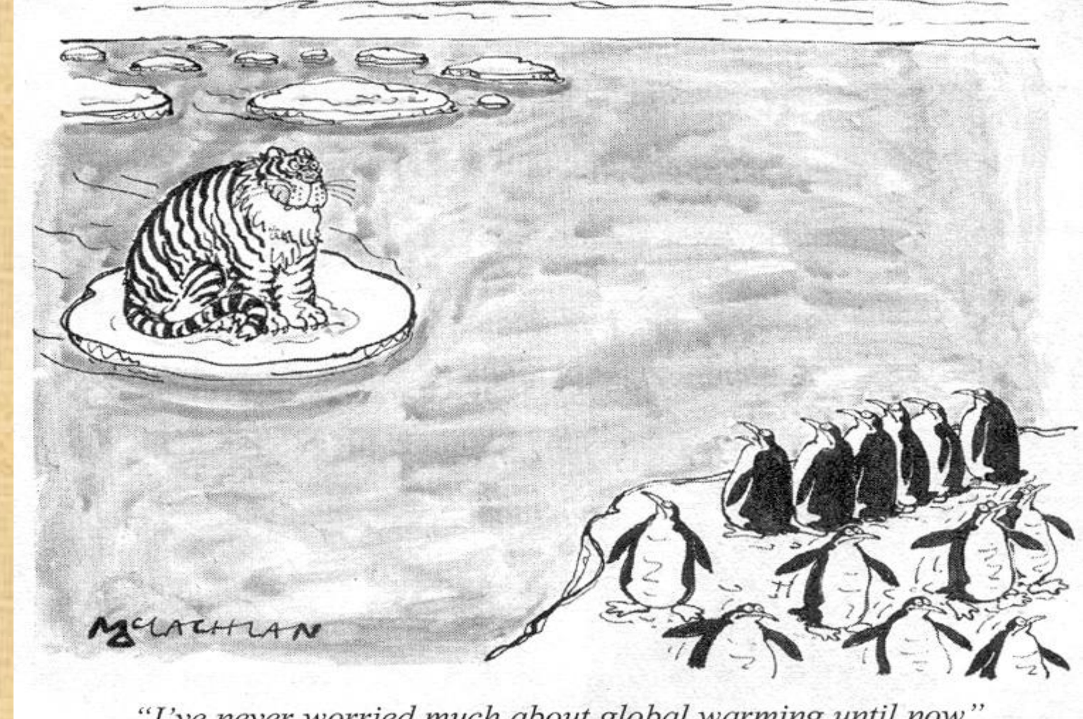
The worlds weather is changing and people all over the world will be affected differently.





COMMITMENTS TO ADDRESS CLIMATE CHANGE

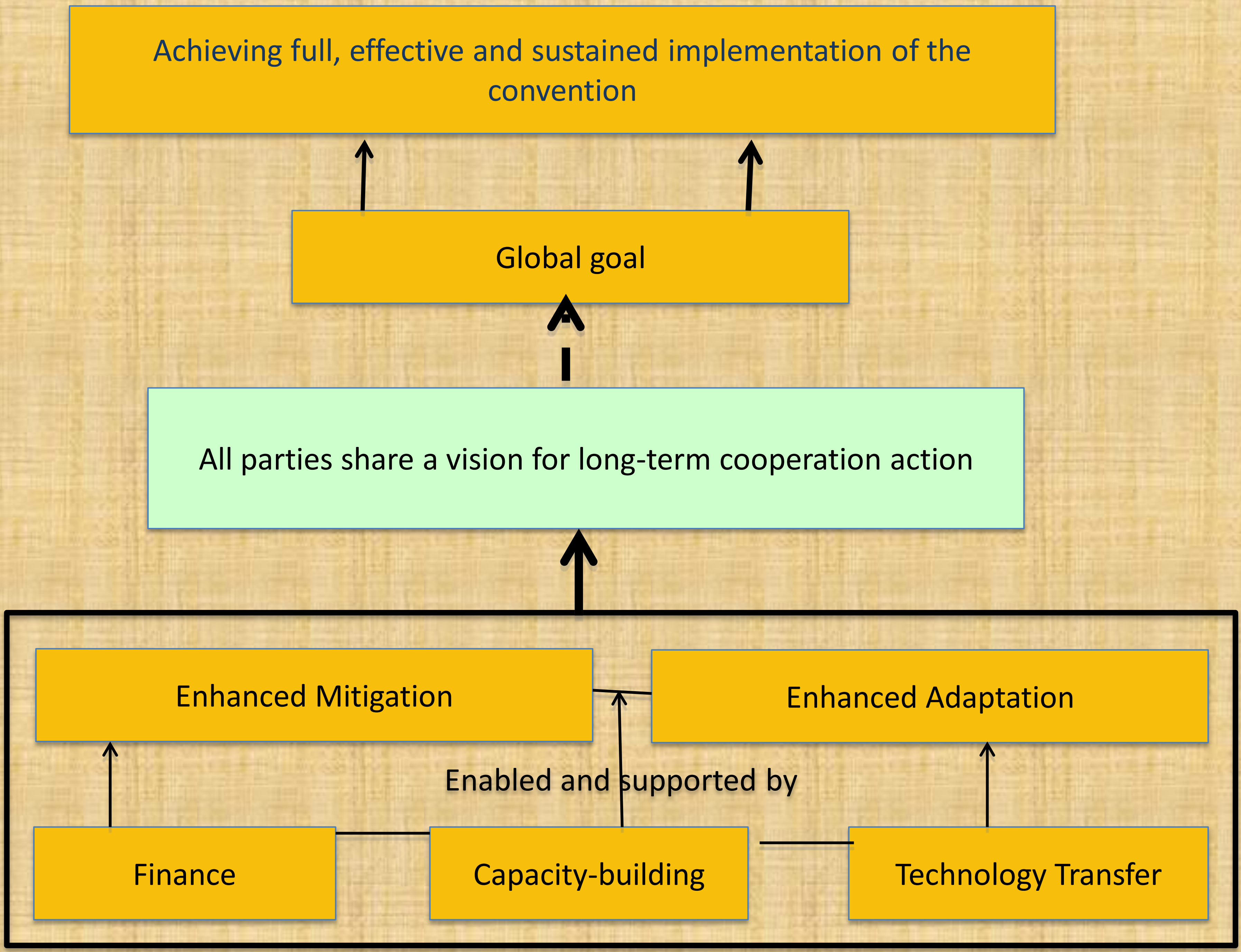
UNFCCC provides framework for global action to combat climate change



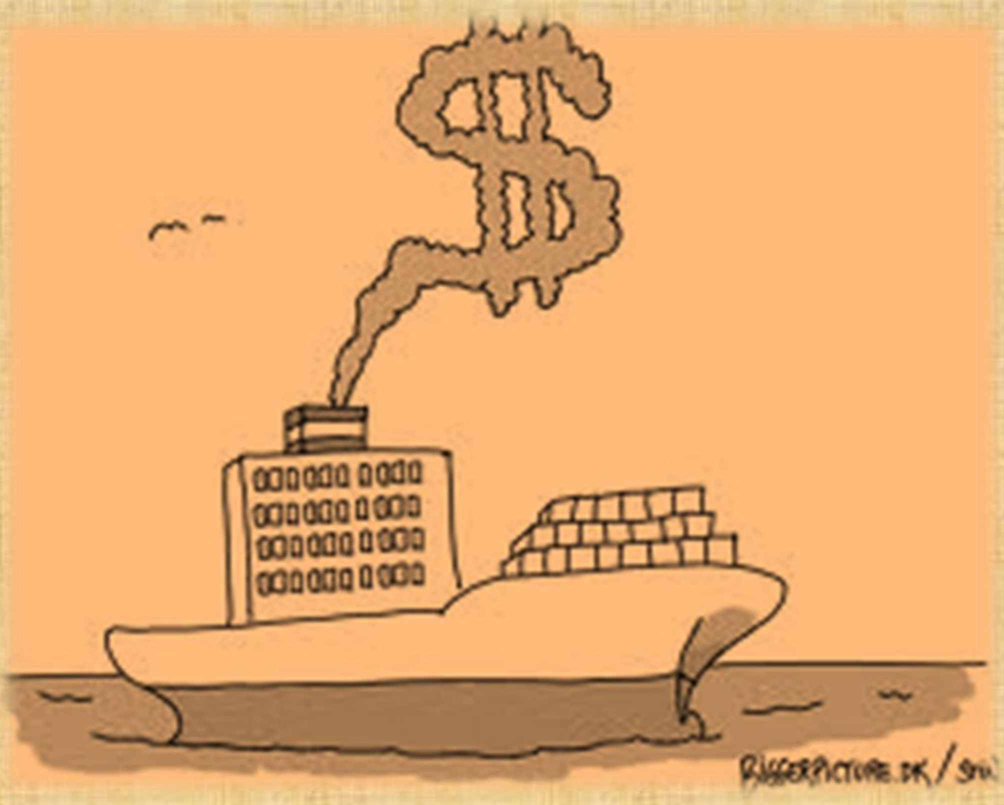
"I've never worried much about global warming until now"

- Responses to Climate Change are generally fashioned out in two-track. i.e.Avoiding future climate disruption by mitigating climate change and adaptation to on-going AND expected climate change impacts.

- Responses strategies to Climate Change are to be facilitated by enhanced financing, technology transfer and capacity building.


Achieving full, effective and sustained implementation of the convention
Global goal
All parties share a vision for long-term cooperation action
Enhanced Mitigation
Enhanced Adaptation
Enabled and supported by
Finance
Capacity-building
Technology Transfer

The Copenhagen Accord acknowledged that supporting developing countries' efforts to reduce emissions and adapt to the impacts of climate change will be essential to any new climate agreement.



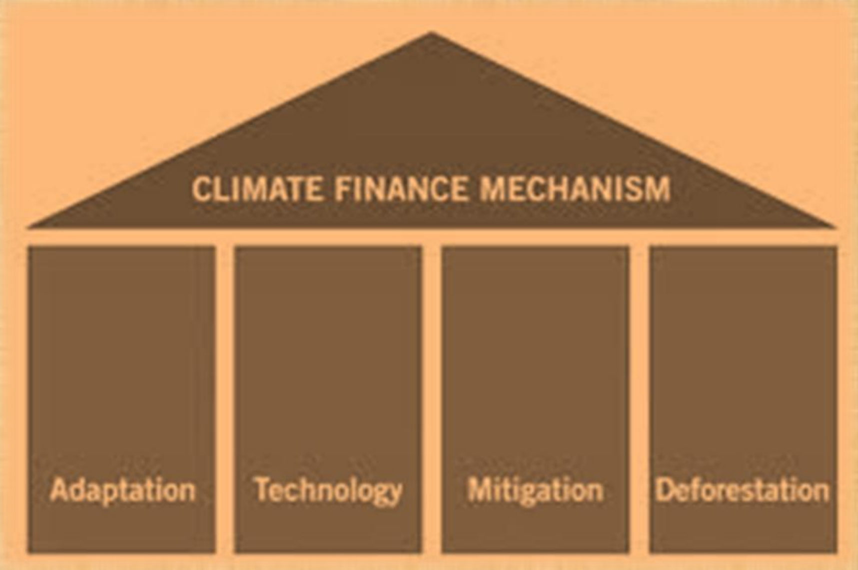
Integrating CC into "international and national SD-Policies and Measures

3. The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1. They shall also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures that are covered by paragraph 1 of this Article and that are agreed between a developing country Party and the international entity or entities referred to in Article 11, in accordance with that Article. The implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among the developed country Parties.

Integrating CC into “international and national SD-Policies and Measures

4. The developed country Parties and other developed Parties included in Annex II shall also assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects.

“adaptation” refers to the changes communities and countries will need to make in order to prepare for and respond to the effects of a changing climate. These responses vary greatly, from increased flood protection, to new agricultural practices, to improved environmental monitoring, and entirely new water governance structures. Poor countries will need to adapt most of all, since limitations in their economic, technical, and human resources make them more vulnerable to the negative effects of climate change.



To make these financial commitments a reality, the two UNFCCC Conferences of the Parties (COP 16 and 17) focused on settling a financial architecture to manage and distribute these funds.

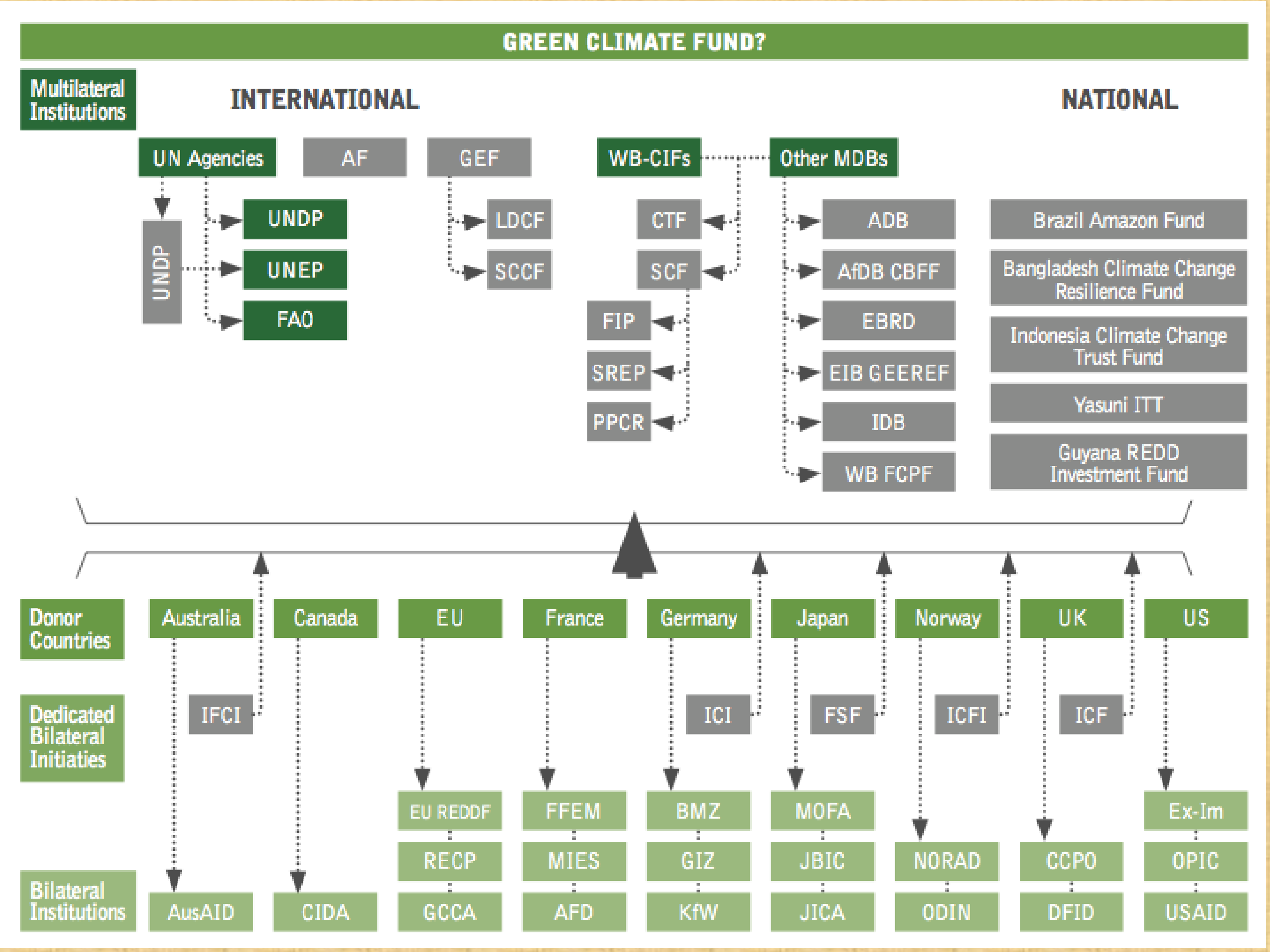
Intended to achieve three goals:

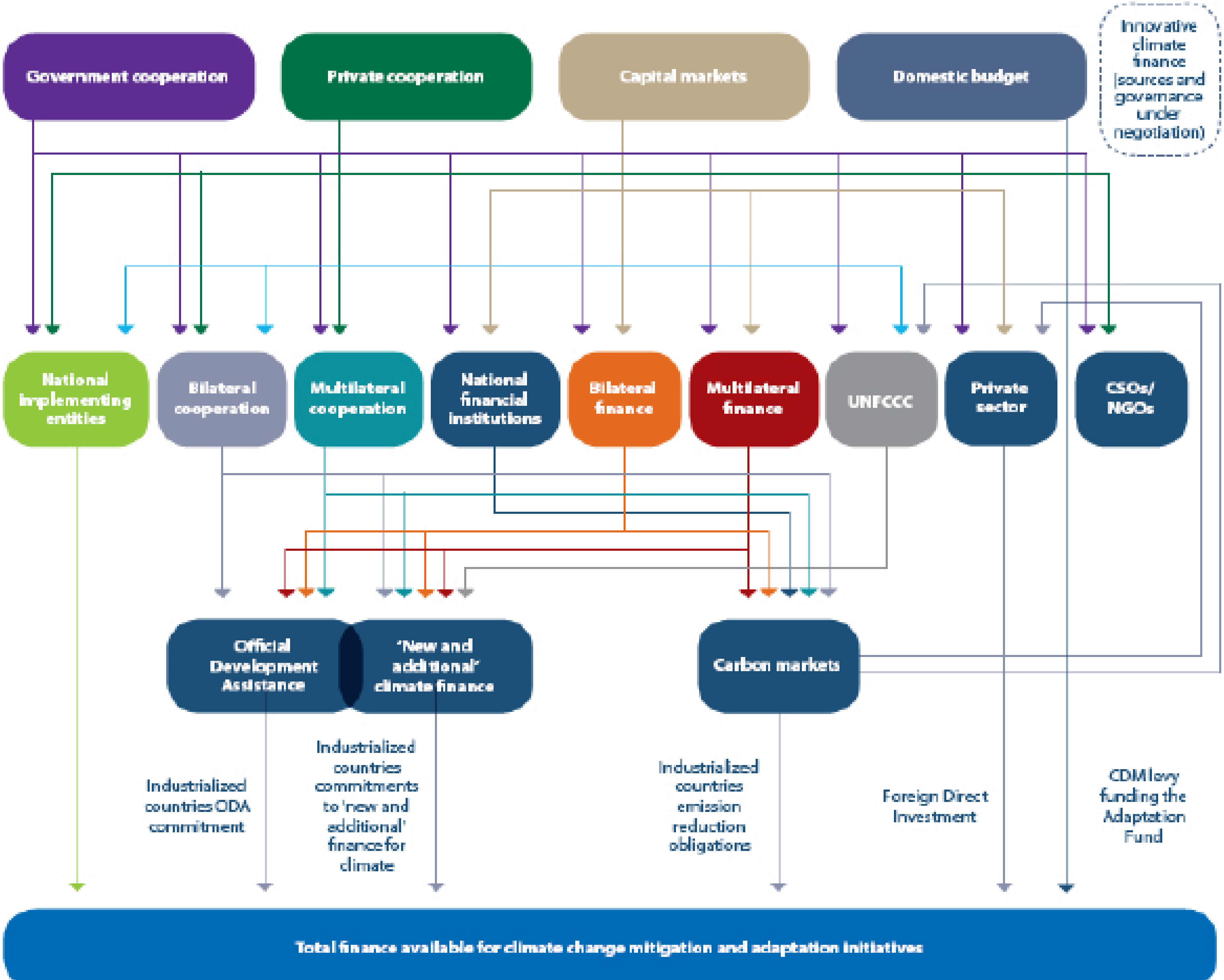
1. Ensure that developed countries deliver on their financial pledges from Copenhagen;
2. Set criteria and priorities to guide the distribution and allocation of climate funds; and
3. Establish the financial architecture to channel and deliver this support.

Financial architecture to address following elements:

1. short-term and long-term funding commitments;
2. bilateral and multilateral delivery channels for these funds; and
3. international institutional arrangements for measuring, reporting and verifying both the delivery and the spending of these funds in order to build trust and ensure accountability.

The architecture of the funds




Government cooperation
Private cooperation
Capital markets
Domestic budget
Innovative climate finance (sources and governance under negotiation)
National implementing entities
Bilateral cooperation
Multilateral cooperation
National financial institutions
Bilateral finance
Multilateral finance
UNFCCC
Private sector
CSOs/ NGOs
Official Development Assistance
'New and additional' climate finance
Carbon markets
Industrialized countries ODA commitment
Industrialized countries commitments to 'new and additional' finance for climate
Industrialized countries emission reduction obligations
Foreign Direct Investment
CDM levy funding the Adaptation Fund
Total finance available for climate change mitigation and adaptation initiatives

Underlying all this, is an ongoing discussion about financial needs and access mechanisms for developing countries and the willingness of developed countries' to pay.

It is clear that one cannot happen without the other.

Debts on the readiness of developing countries to receive and utilize climate funds effectively

Climate finance readiness?

its about helping recipient countries improve their capacity to absorb financial resources.

Shedding light for both developed and developing countries on elements that would help enhance the efficiency and transparency of climate finance mechanisms and the subsequent implementation efforts in order to make sure that funding gets to the right people to drive positive transformational change.

Readiness initiatives may include capacity development and pilot activities to undertake the following:

1. Strengthen capacity and expertise to enhance cross-sectoral planning and coordination for the allocation of resources for climate change action;

2. Enhance existing or create new financial vehicles, fiscal approaches, procedures and instruments to ensure resources are effectively and transparently managed;

3. Identify mechanisms for coordination of international financial flows, as well as for structured donor engagement.

Overall, the idea is that recipient countries build up their respective internal financial infrastructure in order to act as full participants in emerging international climate financing arrangements.

Framework for Climate Finance Readiness

Financial Planning

- Assess needs and priorities, and identify barriers to investment
- Identify policy mix and sources of financing

Accessing Finance

- Directly access finance
- Blend and combine finance
- Formulate project, programme, sector wide approaches to access finance

Delivering Finance

- implement and execute project, programme, sector wide approaches
- Build local supply of expertise and skills
- Coordinate implementation

Monitor, Report & Verify

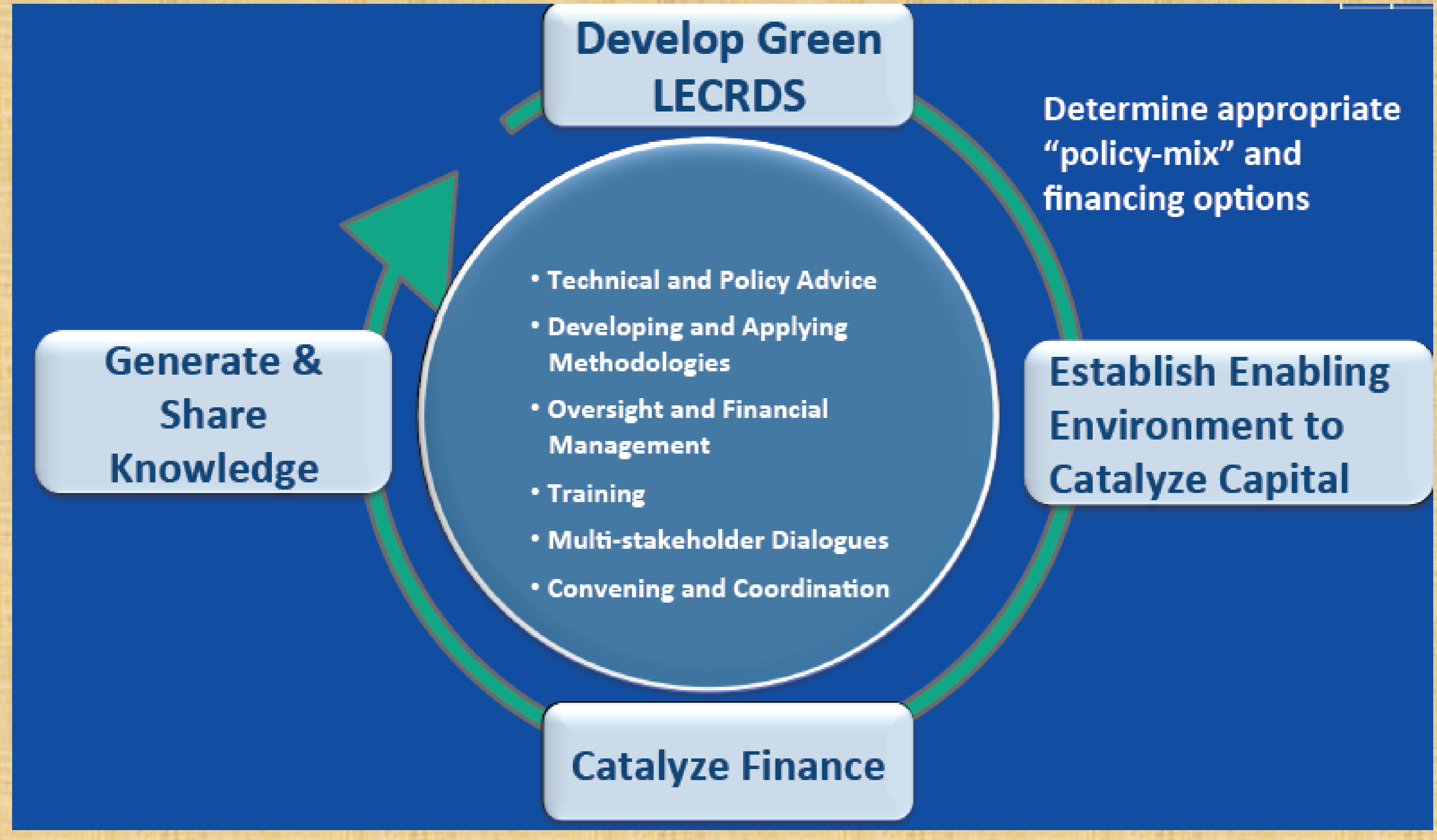
- Monitor, report, and verify flows
- Performance-based payments

Supporting national systems to be “ready” for climate finance helps countries to use finance effectively

Support for planning, accessing, delivering, and Monitor, Report & Verify ensures climate finance is available and effective in all countries

Financial planning: Preparing Green Low-Emission Climate-Resilient Development Strategies

ROBUST STRATEGIC PLANNING MUST UNDERPIN FINANCIAL DECISION-MAKING



COMPONENTS OF CLIMATE FINANCE READINESS AND ASSOCIATED CAPACITIES REQUIRED

Levels of national capacities	Financial Planning	Accessing Finance	Delivering Finance	Monitoring, Reporting & Verifying
Policy Level	Formulation of green, low-emission and climate-resilient development strategies and implementation plan, including costing	Sectoral policy incentives and regulations to catalyze private investments		
Institutional Level	Effective national multi-stakeholder coordination mechanisms	Implementing entities with fiduciary systems and safeguards; national banking institutions	Implementing & executing entities with fiduciary systems and safeguards; project-level multi-stakeholder mechanisms; climate-aware public financial management systems	Centralized unit to compile data and for quality control reporting; communications unit
Individual/ skills level	Baseline assessments; I&FF assessments; expenditure reviews; costs-benefit analyses	Financial management (combining/ blending) skills; project/ programme formulation skills; expertise in private sector pricing incentives	Specialist technology skills (e.g. wind energy technologies installation); project management skills	Expenditure review methodologies; GHG inventory skills; independent verification skills

The Climate Finance Readiness Challenge

3 key challenges to climate finance readiness:

1. National Capacities are required to navigate complex landscape and allow countries to access and deliver different forms of finance

2. Need to catalyze private finance: public finance alone is insufficient to meet demands of climate challenge, must catalyze greater volumes of private finance

3. Limited alignment between climate and development: to drive economy-wide transformation, climate finance must be mainstreamed into planning and development policy

We hope that progress on the central question of how to finance developing country measures to mitigate and adapt to climate change efficiently and transparently will provide a foundation of partnership and commitment to move some of the other key issues on the negotiating table forward.

THANK YOU

SOME QUESTIONS

1. Which national institutions are involved in setting climate-related priorities and the related financing?

2. Do they provide a more holistic framework and encourage broader engagement of national actors?

3. What are the main challenges that Mauritius face in accessing & delivering finance?

4. Is climate expenditure integrated into national budgetary processes? What are the main challenges in doing so?

5. What are the main barriers to private investment?