



E-DISCUSSION REPORT – CONSOLIDATED REPLIES

The 2nd Exchange Series on Climate Financing

COP19, GCF and Business Involvement



Dr. Peter King, Senior Policy Advisor, IGES Regional Centre, Adaptation Project Preparation and Finance Team Leader, USAID ADAPT Asia-Pacific, Bangkok, Thailand (Posted: 6 Dec 2013)

Dear colleagues and friends,

Thank you to all who have followed and contributed to the email responses from the 2nd Exchange Series on Climate Financing – COP19, GCF and Business Involvement.

Over the last four weeks, we considered some of the key climate finance issues as they relate to this year's UN climate talks in Warsaw, Poland and received several insightful contributions in our inboxes. To recap, below are the questions I had raised:

1. **Should the GCF attempt to capture the lion's share of the \$100 billion per year by 2020 and consolidate all of the other fragmented funds (especially since the [Adaptation Fund](#) is almost running out money)?**
2. **Can the GCF be expected to be the exclusive conduit for climate finance? If not, what more can be done to mobilize climate finance and meet the 2020 goal?**
3. **As much of the climate finance will need to come from the private sector, what is the private sector's role in adaptation and how can funds be tapped from this source?**

Many developments have taken place at COP19 since the time of writing. This includes the forthcoming US\$100 million contribution from seven European governments to fill the Adaptation Fund and, of course, the package of decisions agreed by all Parties to halt deforestation.

The Warsaw talks, however, still leave much work to be done – particularly, in the area of climate finance where there is a continued lack of clarity (neither targets nor figures) on actual financial commitments in the run-up to 2020. The GCF remains more or less empty.

In this 2nd Exchange that ran through the entire COP season, we heard a diverse range of views from developing country representatives, researchers, and development partners on their expectations for the GCF.

While some welcomed the idea that the GCF should consolidate all the existing funds, citing the LDCs' need for a ["single window"](#) to improve access as well as the general need to simplify [an overpopulated international climate finance architecture](#), others are more concerned that an exclusive GCF would [run contrary to inclusivity](#) and dialogue and [put local governments in an unfavourable position](#) to access the funds.

On the question about the private sector's role in adaptation financing, the views we received range from cautious optimism to slight distrust. While one member saw the private sector as ["the custodian of technological innovation,"](#) another member cautioned that the ["private sector and market approaches cannot be counted to uphold public interests."](#)

The 2nd Exchange was raised by Dr. Peter King on 31 Oct 2013 to engage the climate change finance community in Asia and the Pacific. The Exchange period lasted four weeks (31 Oct – 29 Nov 2013).

Dr. King is Senior Policy Advisor at the Institute for Global Environmental Strategies (IGES) Regional Centre based in Bangkok, Thailand. He is also the Adaptation Project Preparation and Finance Team Leader for the USAID funded ADAPT Asia-Pacific project.

Contributors from the Climate Change Finance Community to the 2nd Exchange (31 Oct – 29 Nov 2013).

1. [Brian Harding](#), USAID ADAPT Asia-Pacific, Bangkok, Thailand (Posted: 6 Nov 2013)
2. [Komkrit \(Joe\) Onsrithong](#), Project Manager, Asian Environmental Compliance and Enforcement Network (AECEN), IGES Regional Centre, Bangkok, Thailand (Posted: 8 Nov 2013)
3. [Shom Teoh](#), Programme Manager, Sustainable Cities, IGES Regional Centre, Bangkok, Thailand (Posted: 14 Nov 2013)
4. [Anonymous contributor](#) from Japan (Posted: 18 Nov 2013)
5. [Dr. Yuqing Ariel Yu](#), Task Manager (Climate and Energy) and Senior Policy Researcher, Institute for Global Environmental Strategies (IGES) Headquarters based in Hayama, Japan (Posted on 21 Nov 2013)
6. [Dr. Promode Kant](#), Member of the Asia Pacific Forest Policy Think Tank of FAO and Director of the Institute of Green Economy based in New Delhi, India (Posted on 22 Nov 2013)

In the coming weeks, the ADAPT Asia-Pacific team of climate finance specialists will take on board all contributions in this 2nd Exchange in planning for the 3rd ADAPT Asia-Pacific Annual Forum in 2014 – an event that will once again bring together donors and government officials to a common platform.

Once again, thank you for your valuable contributions to help expand and share critical climate finance knowledge – until the next Exchange, I wish you all the best in this holiday season.

Dr. Peter N. King
Team Leader, Adaptation Project Preparation and Finance
ADAPT Asia-Pacific

1. [Brian Harding](#), [USAID ADAPT Asia-Pacific](#), Bangkok, Thailand (Posted: 6 Nov 2013)

1. Should the GCF attempt to capture the lion's share of the \$100 billion per year by 2020 and consolidate all of the other fragmented funds (especially since the Adaptation Fund is almost running out money)?

It is still too early to know how the Green Climate Fund's architecture will be formed and thus will relate to the function of the organization. Will the GCF be an "accountancy firm" for climate finance – counting contributions from around the world? Or will it actually control the purse-strings? It is important to look at the history of when other large funds have been set up (e.g. the Global Fund). Many of these funds offer insights over the relative size and infrastructure that would be needed to deliver \$100billion per year. Some of this initial thinking however is being outlined by the Standing Committee on Finance of the UNFCCC and can be found here <http://unfccc.int/resource/docs/2013/cop19/eng/08.pdf>

In terms of subsuming other funds, there are opportunities for this to be discussed. Certainly, the key things that many will want to see being taken from these other funds are their approach to direct access and furthermore the well-defined social safeguards that have been developed after extensive public discussion.

2. Can the GCF be expected to be the exclusive conduit for climate finance? If not, what more can be done to mobilize climate finance and meet the 2020 goal?

It will almost be impossible for the GCF to be the only conduit of climate finance and in truth it shouldn't be. Multiple forms of finance will need to be delivered in many different ways. Many countries are already using their national budgets in contributing to adaptation and mitigation work. Innovative sources of financing are being addressed within the long-term financing group of the UNFCCC. This group should be encouraged to consult widely on mobilization of additional resources.

The recent paper by the Climate Policy Institute is worth a read. It demonstrates that climate finance seems to find its home more naturally within the national budgetary system. This matches up to the thinking that our reaction to climate change must be systemic and must become a core part of national development. <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2013/>

3. As much of the climate finance will need to come from the private sector, what is the private sector's role in adaptation and how can funds be tapped from this source?

The private sector is already adapting to a changed climate. The private sector are overall contributors to helping societies in this shift. In terms of giving directly to a

7. [Anonymous contributor](#) from the Philippines (Posted: 27 Nov 2013)
8. [Koji Fukuda](#), Regional Programme Analyst, United Nations Development Programme (UNDP) based in Nairobi, Kenya (Posted on 29 Nov 2013)

Many thanks to all who have contributed and followed this Exchange!

fund, this has always been more difficult.

This requires new forms of relationships in public and private partnerships. It is not a case in my opinion of trying to get money out of the private sector so that others with more knowledge can implement. When it comes to climate change adaptation, it is imperative that we all carry out evidence based actions - unfortunately, some of this is presently experimental as the science improves (e.g. the lack of downscaled data).

At some point the type of money and how it was mobilized will also have to be questioned. Will it be ethical that money that is generated from fossil fuel production and burning be used for climate change adaptation? Or should we be trying to use as much money as possible at the moment to implement actions with money derived from the fossil fuel industry? Should military budgets and military contract money to be used, perhaps? These are larger questions of ethics and are beginning to be addressed through the climate justice movement. This is a great time for those that work on climate change to be part of the wider debates.

Some of the sacred cows are beginning to be questioned – notably fossil fuel subsidies around the world. That said, some of the more seemingly “easy” solutions, such as a Tobin Tax have caused great consternation amongst governments is testament to this – this recent Guardian article points to that debate:

<http://www.theguardian.com/commentisfree/2013/oct/30/germany-robin-hood-tax-europe-financial-transaction-tax>

However, for many developing countries, the fact that they struggle to develop their own broad private sectors at home has made the reliance on the private sector for climate change adaptation a moot point. These issues can't just be raised once a year at COPs – such countries need help in broadening a sustainable and equitable private sector (which in turn can also help with national tax revenues) throughout the year.

That said, the pathway for the future is more communication between the public and private sectors and a believe that we have to do things differently if we are going to keep away from a 4 or possible 6 degree warmer world.

Much of the latest thinking on private sector financing for climate change can be found on the [ADAPT Asia-Pacific Facebook page](#) and I encourage people to go through it.

Brian Harding
ADAPT Asia-Pacific
bharding@adapt-asia.org

[Back to Top](#)

2. Komkrit (Joe) Onsrithong, Project Manager, [Asian Environmental Compliance and Enforcement Network \(AECEN\)](#), [IGES Regional Centre, Bangkok, Thailand](#) (Posted: 8 Nov 2013)

Dear colleagues,

My name is Komkrit (Joe) Onsrithong. In August 2013, I joined Institute for Global Environmental Strategies (IGES) after almost 2 years at Thailand's Climate Change Office.

During my tenure with the Royal Government of Thailand, I was part of the delegations to Climate Change Conferences since COP17 in Durban where I followed issues related to adaptation, loss and damage, and finance. I was also involved in early discussion regarding selection and accreditation of Thailand's National Implementing Entity under [Adaptation Fund](#).

I would like to respond to the second question posted by [Dr. Peter King](#) – **Can the GCF be expected to be the exclusive conduit for climate finance? If not, what more can be done to mobilize climate finance and meet the 2020 goal?**

Exclusivity runs contrary to diversity, creativity, openness, inclusion and community. Anointing one entity to be the exclusive conduit for climate finance not only presents tremendous risk of stifling innovation and tyranny, but also creates an atmosphere that is not conducive to dialogue, mutual understanding, concerted efforts, or collaboration.

Climate change is simply a global problem that requires truly global solutions that are implemented and supported by the global community. The same goes for climate finance. No one person or one entity can singlehandedly address this implementation problem alone. We need all hands on deck.

(Though I sincerely believe that streamlining and consolidation of numerous climate change funds and funding mechanisms are severely needed to improve efficiency and effectiveness.)

Though responsibility to ensure that the goal of mobilizing US\$ 100 billion annually is met by 2020 lies primarily with developed countries and, to a certain extent, with GCF, there are many measures that developing countries can adopt to mobilize climate finance.

As pointed out by [Mr. Brian Harding](#), many developing countries are already mainstreaming climate change into their national development frameworks, and utilizing their own budgets to finance projects/programmes/plans/strategies/ policies that address climate change.

By enhancing national public spending on climate change, developing countries are sending a positive signal to development partners and the private sector. It provides confidence and assurance that developing countries are taking the issue of climate change seriously and as a priority, and are undertaking actions to address the issue on the basis of their national interests, not international pressure. This financial commitment toward addressing climate change will in turn encourage more financial assistance from development partners, and spur climate-friendly investments from the private sector.

One of government's roles in the market economy is to correct market failures, and primary causes of market failures are externalities. When private actors cannot reap full benefits nor suffer full breadth of negative consequences of their action, they tend to make inefficient choices. This is when governments need to step in and ensure internalization of externalities.

Developing countries can enhance enabling environment for climate finance from the private sector by adopting measures that reward climate-friendly investments and discourage environmentally unsound investments that would exacerbate the greenhouse effect. Subsidy for renewable energy and carbon tax are two examples of economic tools that governments can espouse to effect internalization in their quest to entice private climate finance and combat climate change.

On the issue of fossil fuel subsidies raised by [Mr. Brian Harding](#), governments should immediately decrease and phase out such subsidies to highly polluting industry. Subsidies to the petroleum industry not only fail to internalize the industry's deleterious contribution to the rising level of GHG concentration in the atmosphere, but also further distort the energy market by maintaining artificial price competitiveness of fossil fuels compared to renewable sources of energy.

Komkrit Joe Onsrithong (Mr.)

Project Manager
Asian Environmental Compliance and Enforcement Network (AECEN)
IGES Regional Centre
onsrithong@iges.or.jp

[Back to Top](#)

3. Shom Teoh, Programme Manager, [Sustainable Cities](#), IGES Regional Centre, Bangkok, Thailand (Posted: 14 Nov 2013)

Dear Peter and colleagues,

Thank you so much for raising a very interesting topic for discussion again. And I've learnt much from [Brian's](#) and [Joe's](#) responses. This subject is somewhat esoteric for a non-specialist, but I'd like to pepper our discussion with some views from a bottom-up, community-driven perspective.

1. Should the GCF attempt to capture the lion's share of the \$100 billion per year by 2020 and consolidate all of the other fragmented funds (especially since the Adaptation Fund is almost running out money)?

Personally, it is doubtful whether the GCF can become the umbrella mechanism of global climate financing, even if it should. Firstly, the definition, accounting and monitoring of what constitutes 'climate finance,' remains a blurry and complicated affair. In reality, aid is intertwined with trade and other interests, so it is hard to imagine that donor countries would be willing to give up bilateral financing for a consolidated approach. It is also expected that much financing would come from private sources, but private sector funding is also even less transparent and challenging to track compared to public funding.

Rather than grappling with figures, though, it is more meaningful that the GCF finance should be new and additional above a stipulated baseline, assuming 'climate finance' refers primarily to public and private sector (North-South) funds. Moreover, the likelihood of ensuring the quality/effectiveness of financed activities for such a size of funding (USD 100b), if governed by a centralized entity, should also be a concern, learning from the experiences of other climate funds as mentioned by [Brian](#).

Other expectations to the GCF that have been raised are:

- **Accountability, (im)partiality, equity and transparency** – There are concerns about the GCF's weak accountability to the COP and UNFCCC. The appointment of the World Bank as the GCF's Interim Trustee has also aroused suspicions that decisions might be swayed in favour of the interests of high-income countries.
- **Achieving appropriate balance between support for mitigation and adaptation** – There is now an emerging strand of research which posits that a mitigation-adaptation dichotomy may not be a sound framework in practice. Hopefully the GCF would be cognizant of new thinking on this and factor it into financed activities, especially for capacity building.
- **Simplified and Direct Access through 'country-driven' funding modalities** – The assumption that a 'country-driven' approach is equivalent to a national government-led approach merits further consideration. Evidence that centrally-managed funding has successfully reached the sub-national and local levels remains inconclusive, yet local and bottom-up initiatives are extremely essential for effective adaptation to climate change. It is not a given that national priorities and strategies are compatible with local demands and needs. More effort should be given to ensure that government-led implementing agencies will be

incentivized to decentralise (or at least devolve) financing decisions to local and non-government actors.

2. As much of the climate finance will need to come from the private sector, what is the private sector's role in adaptation and how can funds be tapped from this source?

Ultimately, I think that private sector and market approaches cannot be counted to uphold public interests. However, the private sector still has a meaningful role to play and not only in terms of financing, but in product and service innovation. Currently, a lot of emphasis seems to be given to the big, multi-national companies, who predominate in heavily centralized and top-down global and national initiatives. Yet, there is actually significant untapped and overlooked potential in local companies, especially the small-to-medium enterprises, who offer valuable expertise, local knowledge and other resources beyond funds. These local companies may have a more authentic interest in the well-being of local communities, and may be more strategically engaged at sub-national and local levels. At the end of the day, a balanced approach should be taken by the GCF in stimulating private sector involvement in the climate change agenda.

Shom Teoh
Programme Manager, Sustainable Cities
Institute for Global Environmental Strategies (IGES)
teoh@iges.or.jp

[Back to Top](#)

4. Anonymous contribution from a climate finance community member in Japan (Posted on 18 Nov 2013)

2. Can the GCF be expected to be the exclusive conduit for climate finance? If not, what more can be done to mobilize climate finance and meet the 2020 goal?

The establishment of GCF is a step in the right direction but it hinges on the actual endowment of funds. One thing is to pledge funds, another things is to actually deliver them. But I digress...

There are other actions necessary, especially at national and local levels, and while some internationally generated funding may trickle down to those 'lower' levels, probably countries should not sit and wait for that to happen. Instead there are a lot of actions that can be undertaken within countries, and one foremost way is to reform national budgets to support low-carbon activities in key sectors such as transport, energy, housing and so on. At the same time, carbon intensive activities should lose the support they have enjoyed over the years. This would change the playing field and contribute to meeting 2020 climate related goals.

Additionally, a green tax should be introduced that taxes CO2 emissions or resource use, whilst leveraging less taxes onto labour and other activities necessary for the economy. This way companies would be encouraged to shift to lower carbon and lower impact modes of operation. It could be introduced gradually to allow the private sector enough leeway to shift their operating procedures. These are just two examples that could and probably should be undertaken at national levels regardless of what the GCF delivers or not delivers.

[Back to Top](#)

5. Dr. Yuqing Ariel Yu, Task Manager ([Climate and Energy](#)) and Senior Policy Researcher, Institute for Global Environmental Strategies (IGES) Headquarters based in Hayama, Japan (Posted on 21 Nov 2013)

1. Should the GCF attempt to capture the lion's share of the \$100 billion per year by 2020 and consolidate all of the other fragmented funds (especially since the Adaptation Fund is almost running out money)?

Yes, the GCF should deliver the lion's share of the \$100 billion and consolidate the other fragmented funds under the UNFCCC. I don't think that the GCF should consolidate all the existing funds. Bilateral and multilateral funds outside the UNFCCC should still exist, because they can serve as laboratories for innovative and new funding schemes. Yet, the GCF should serve as the primary operating entity under the UNFCCC. The Adaptation Fund, SCCF, and LDCF can be thematic funding windows under the GCF and the GCF can adopt best practices (i.e., fiduciary standards and environmental and social safeguards) from these funds. With the establishment of the GCF, the GEF can focus on helping developing countries to prepare good quality national communications and biennial update reports. It should be noted that the GCF is being created within an extensive (and some would argue already overpopulated) international climate finance architecture. Therefore, one of the roles that the GCF should play is to simplify the current network.

2. Can the GCF be expected to be the exclusive conduit for climate finance? If not, what more can be done to mobilize climate finance and meet the 2020 goal?

No, the entity of the \$100 billion goal is not likely to be achieved by the GCF alone, although a large part of it is expected to be channeled through the GCF.

3. As much of the climate finance will need to come from the private sector, what is the private sector's role in adaptation and how can funds be tapped from this source?

More effort of reducing risks is crucial in mobilizing climate finance, in particular from the private sector. The absence of a predictable and stable regulatory framework and the lack of an enabling environment in many developing countries deter private investments. More public money should be spent on strengthening regulatory frameworks such as feed-in tariffs and carbon pricing, and on developing hard infrastructure. In attracting adaptation investments, national governments should strive to use a variety of financial instruments, such as insurance, stand-by loan for disaster recovery, and preferential terms for concessional loan for disaster prevention to secure financial returns in adaptation projects

Yuqing Ariel Yu (Dr.)
Task Manager (Climate and Energy)
Senior Policy Researcher
Institute for Global Environmental Strategies (IGES)
yu@iges.or.jp

[Back to Top](#)

6. Dr. Promode Kant, Member of the Asia Pacific Forest Policy Think Tank of FAO and Director of the [Institute of Green Economy](#) based in New Delhi, India (Posted on 22 Nov 2013)

1. Should the GCF attempt to capture the lion's share of the \$100 billion per year by 2020 and consolidate all of the other fragmented funds (especially since the Adaptation Fund is almost running out money)?

It is important to understand that the countries that most need financial support to address climate change adaptation and mitigation issues – the LDCs – have the least capacity to run from one fund to another to meet their needs. What they require is a single window for seeking financial support. The GCF should directly or indirectly control all funds under the umbrella of the UNFCCC. The funds that have same or very similar objectives could be merged together and brought under the direct control of GCF while those with differing objectives could remain under their present system of management but brought under the overall co-ordination of the GCF by making their chief executives member of a Fund Coordination Committee with the GCF in chair.

Bilateral funds should, however, function outside the GCF even when they ascribe to the fundamental principles of the UNFCCC that guide the utilization of climate funds. This is needed to permit them to act in accordance with the dominant domestic political objectives of the donor country (which would help maximize their fund availability) while catering to specific situations of the recipient countries. The political leadership of large donors would never allow a single entity like GCF control too large amounts of money. For mobilizing large amounts of money from rich countries it is important to make giving money away an attractive proposition, not a threatening one. I expect bilateral funding to be the largest component of climate financing in the years to come and the efforts should be to expand it as much as possible.

Private sector may contribute voluntarily to the GCF but the dominant funding in GCF should remain mandatory in origin that is driven by commitments under the UNFCCC. The nature of GCF should be strictly that of a Public Fund.

3. As much of the climate finance will need to come from the private sector, what is the private sector's role in adaptation and how can funds be tapped from this source?

Under the CSR the private sector could be encouraged to contribute to adaptation efforts. But this would remain a small fraction of private investment in climate related activities. Most private funds would gravitate towards mitigation because generally only mitigation activities permit profit making. It should, however, be possible to make integration of adaptation into mitigation projects mandatory but within well-defined functional and financial limits. This would ensure some flow of private funds into adaptation without making mitigation projects economically unviable.

Dr. Promode Kant
Member, Asia Pacific Forest Policy Think Tank of FAO
Director, Institute of Green Economy
B 108, Parsvnath Prestige, Sector 93A, Noida 201304, India
Tel: +91 1204233578, Cell: +919873437021
Website: <http://igrec.in>
Email: promode.kant@gmail.com

[Back to Top](#)

7. Anonymous contribution from climate finance community members in the Philippines (Posted on 27 Nov 2013)

1. Should the GCF attempt to capture the lion's share of the \$100 billion per year by 2020 and consolidate all of the other fragmented funds (especially since the Adaptation Fund is almost running out money)?

Response 1:

I personally don't think this would be a wise move. To have only one body governing all the funds means that we (everyone working in this field) will have to comply to one

set of rules, one approach and one mind-set. I think there is strength in having a portfolio of some variety that we can approach. The Adaptation Fund may well be running out of money – but is that not because of a lack of funds being injected into it, rather than there being something wrong with the fund itself. I very much doubt the likes of UNDP/UNEP, etc. would vote in this favor either as MIEs of the AF – they are unlikely to want this to happen as it's a major source of funding for themselves.

I would be worried if the GCF goes the same route as the GEF, whereby it is notoriously difficult to get the funds to the local government level – and only happens if the nation is vested in channeling the money to this level. Of course I know we are pushing for local government at the GCF, so hopefully this would not be the case.

Response 2:

As a multi-pronged global issue, climate change is not exempted from the bureaucracy surrounding official development assistance (ODA) and other forms of aid provided by developed countries. Thus, the GCF boils down to issues of transparency and accessibility. The \$100 billion target per year by 2020 is ambitious in itself given the uncertainty of where the money will be coming from. The GCF, however, is free to set this as a target. Consolidating all other fragmented funds is a different issue. The “operationalization” of the GCF is a critical step in order to help LDCs and developing countries secure the support they need in order to implement CCA&M projects. Hopefully, this process can be catalyzed before delving into other issues (i.e., consolidation of other funds).

2. Can the GCF be expected to be the exclusive conduit for climate finance? If not, what more can be done to mobilize climate finance and meet the 2020 goal?

At this point, one should differentiate between finance and funding. Financing being more related to loans, concessional loans, etc. Funding being largely what we work with as in straight donor funds. What will the GCF approach be – presumably a mixture of the two? Either way whether it's for Funds or Financing, it should not be the exclusive conduit nor would the other funds/financers out there give up what they are doing over the GCF.

3. As much of the climate finance will need to come from the private sector, what is the private sector's role in adaptation and how can funds be tapped from this source?

- i) Direct donations as part of their corporate social responsibility (they however may be more likely to donate to smaller groupings and ones where they know which country the investment may take place for example, rather than donating to a global pool of money);
- ii) Look at the World Bank PPCR programme funded through the IFC. There they have a model of private sector mobilization into this work space. It's really about collaborative work – and creating opportunities for the private sector to want to engage.
- iii) Potentially, banks could set up funds for adaptation, whereby private sector invests with them, and a small portion goes to an adaptation fund.

[Back to Top](#)

8. Koji Fukuda, Regional Programme Analyst, United Nations Development Programme (UNDP) based in Nairobi, Kenya (Posted on 29 Nov 2013)

Dear Peter and colleagues,

Let me start by thanking the web-discussions organizers for inviting us to exchange views on the key issues at stake for adaptation finance. I am Koji Fukuda and I work at UNDP as an environment programme analyst for Africa. I am providing herewith a number of views in my personal capacity, building on my previous experience within UNFCCC negotiations on the finance front (including in the design process of the GCF and the Adaptation Fund) and my current experience in policy research and U.N. practitioner in the climate-change arena.

1. Should the GCF attempt to capture the lion's share of the \$100 billion per year by 2020 and consolidate all of the other fragmented funds (especially since the [Adaptation Fund](#) is almost running out money)?

As the question combines 3 essential issues together, I'll respond separately.

1.1 Possible/desirable share of adaptation for envisaged \$100 billion target

While the passage "significant amount of adaptation flows through GCF" stipulated in the Durban Agreement and reiterated in the Warsaw decision, certainly sets the tone for overall policy direction for adaptation finance under the UNFCCC regime, it does not necessarily guarantee adaptation finance to "capture lion's share of \$100 billion per year by 2020".

This is partly because the idea of attaining "lion's share" conflicts with the underlying principle to strike a balanced allocation of resource between mitigation and adaptation in the first place. Furthermore, the Fund will need to reconcile competing demands and priorities among different themes, including emerging requests for creating additional windows to earmark finances for, inter alia, REDD+, technology transfer and capacity building, to best respond to diverse needs and priorities among non-Annex I Parties. The ever-increasing competition among themes/windows will remain to be a challenge for the Adaptation Window.

1.2 Rationalization of adaptation finance

Whether the Adaptation Window of GCF would serve as the silver bullet to address existing fragmentation of financial resources for adaptation depends on the extent to which 1) GCF manages to win sufficient, collective political buy-in of the Parties to the Convention to tap on and transform adaptation finance landscape, and 2) how to design the window with value-addition to incentivize diverse stakeholders for mobilizing additional resource (window to appeal to both public sectors and other stakeholders).

Although the current adaptation finance landscape is fragmented, and does not seem to take the most efficient form of financing in view of high transaction costs, it is worth pointing out that fragmentation also creates certain spaces and opportunities for developing countries to choose, apply and access to different resources according to national needs and priorities. The fragmentation also allows earmarking financial resources to specific group within the non-Annex I Parties, for instance through LDCF arrangement to exclusively support LDCs with genuine needs of financial support. It would be very difficult to rationalize LDCF with GCF unless preferential treatment for the most vulnerable among developing country community is duly secured. Such consideration is indeed necessary to safeguard them from entering into pure competition with more-advanced developing countries with more technical capacity, with higher chances for resource acquisition.

1.3 Adaptation Fund

Depleting trend of financial resource of the Adaptation Fund indeed poses uncertainty over the sustainability of the Fund operations itself. The observed trend, however, presents the logical consequence of the fund-raising modality the Fund adopts, which was agreed by the Parties; the dependency on auto-financing mechanism (builds on sales of 2% Share of Proceeds (SoP) from CDM projects) was viewed innovative when designed, but has intrinsic risk as the revenue fluctuates according to the market price of carbon.

GCF will draw lessons from the AF experience, and should seek a different approach by exploring wider options, identifying best mix of sources for financing to attain financial predictability, including, inter alia, possible replenishments.

2. Can the GCF be expected to be the exclusive conduit for climate finance? If not, what more can be done to mobilize climate finance and meet the 2020 goal?

GCF will, and should, play a significant role in climate finance and contribute to meeting the 2020 goal, however it might not be wise to let it serve as the exclusive conduit for climate finance for the reasons stated above.

Besides, it is likely that new voluntary initiatives and funds will be made available by multilateral and bilateral institutions on top of operationalization of GCF as their contributions to climate finance. What is important for developing countries, in practice, is to keep an eye on such new developments, understand what these new opportunities can offer, self-assess domestic needs and priorities, and come up with strategy to seize and best match their needs with opportunities.

3. As much of the climate finance will need to come from the private sector, what is the private sector's role in adaptation and how can funds be tapped from this source?

Private sector has a significant role to play in climate adaptation, as the sector serves as the custodian of technological innovation, and goods and services the sector provide could apply or tailor to respond to adaptation needs depending on how GCF effectively guide its engagement. Engagement of private sector through, inter alia, risk insurance scheme and infrastructure development, could also strengthen social safety nets to vulnerable groups of society which could complement existing public support often viewed as insufficient in the magnitude of demand.

To invite full-fledged engagement of private sector and facilitate mobilization of subsequent investment, it is crucial to develop supportive environment/framework in the first place to provide sufficient space for private sector to test, pilot and apply new ideas, and goods and services on the ground. Such space is necessary for the sector to adapt to national/local circumstances and mature its effort for scale-up with commercial viability, as well as helps the sector self-evaluate relevance, cost efficiency and effectiveness of their engagement, and learn from the process to induce further improvements to better respond to the adaptation needs.

At this stage it is not very clear the demarcation of roles between the Adaptation Window and the Private Sector Facility of GCF in supporting engagement of private sector, many options should be left open for consideration, ranging from direct financial support (e.g. execution of PPP projects/programs where private sector contributes by procuring goods/services to activity components) to indirect support by providing policy support (TA) to developing country governments craft policy/regulations to create above enabling environment for their engagement/field testing, therefore fostering business aspirations in adaptation arena. Such effort could create an effective signal to trigger future mobilization of investment from private sector, which will be much bigger in scale compared to the seed money GCF

provides.

Koji Fukuda
Regional Programme Analyst
United Nations Development Programme (UNDP)
koji.fukuda@undp.org

[Back to Top](#)

THE ORIGINAL EXCHANGE POSTED ON 31 OCT 2013

Dr. Peter King, Senior Policy Advisor, [IGES Regional Centre](#), [Adaptation Project Preparation and Finance Team Leader](#), [USAID ADAPT Asia-Pacific](#), Bangkok, Thailand (Posted: 31 Oct 2013)

Dear colleagues and friends,

The annual COP season will be upon us in a few short weeks. And like many of you, I will be following the negotiations closely, along with a little cynicism and a healthy dose of hope.

Several issues under the [UNFCCC](#) are high on the agenda at [COP19](#). They include the new universal 2015 climate agreement, post-2020 mitigation pledges, and, of course, climate finance.

There is no doubt that climate finance lies at the heart of addressing climate change and supporting meaningful outcomes from the 2015 climate deal. In real terms, this means providing more technical assistance to developing countries and scaling up bankable climate change projects.

Part of what needs to be done at this COP is for UNFCCC Parties to provide greater clarity on the progress made to mobilize the US\$100 billion annually by 2020 – the goal that has yet to fully materialize.

Big hopes have been placed on the [Green Climate Fund \(GCF\)](#) to capture and disburse the annual US\$100 billion and to be an effective conduit for climate finance. With that in mind, I would like hear your views on the following questions:

- 1. Should the GCF attempt to capture the lion's share of the \$100 billion per year by 2020 and consolidate all of the other fragmented funds (especially since the [Adaptation Fund](#) is almost running out money)?**
- 2. Can the GCF be expected to be the exclusive conduit for climate finance? If not, what more can be done to mobilize climate finance and meet the 2020 goal?**
- 3. As much of the climate finance will need to come from the private sector, what is the private sector's role in adaptation and how can funds be tapped from this source?**

All comments, thoughts and inputs are valuable and will help inform future ADAPT Asia-Pacific activities. I look forward to a robust discussion.

Thank you.

Dr. Peter N. King
Team Leader
Adaptation Project Preparation and Finance
ADAPT Asia-Pacific

[Back to Top](#)

The Exchange Series on Climate Financing is a facilitated knowledge exchange platform that supports the ADAPT Asia-Pacific family (i.e. Forum/meeting alumni) and others interested in climate finance. The ADAPT Asia-Pacific Knowledge Management Team moderates the exchanges and ensures that members receive a maximum of one email a day. Messages posted reflect the personal views of the contributors and not the positions of their organizations.

If you have any additional information related to the topic that you would like to share, or any other inputs, including suggestions to improve this Exchange, please email them to: the-exchange@adapt-asia.org

If you would like to opt-out of the Exchange at any time, please contact Augustine Kwan, Knowledge and Outreach Manager for USAID ADAPT Asia-Pacific at kwan@iges.or.jp

“Like” ADAPT Asia-Pacific’s new [Facebook page](#) and learn more about our activities. Visit us at: ADAPTasiapacific.org

The USAID funded [ADAPT Asia-Pacific](#) is an integrated knowledge transfer, capacity building and technical assistance program that links climate funding organizations with eligible Asia-Pacific countries and helps prepare projects that increase resilience to the negative impact of climate change.