

Dhaka, Bangladesh

31 January – 04 February 2016

Training report

# Climate Finance Short Course





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This publication is based upon the outcomes of the event and has been compiled from the notes taken by the session respective rapporteurs. The publication is a summary from the organizers' point of view, and does not necessarily express the views of each individual participant.

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# 1. Introduction

The Climate Finance Short Course was a five-day training programme designed for government officials, including those from Ministries of Finance, Planning and Environment. The course objective was to strengthen government capacity to manage climate finance more efficiently. Participants were provided with training in how to access, mobilise and deliver international and national climate finance. The course was delivered by the International Institute for Environment and Development (IIED), the International Centre for Climate Change and Development (ICCCAD), the United Nations Development Program (UNDP) and the United Nations Institute for Training and Research (UNITAR). It was sponsored by the Department of International Development (DFID) and the Swedish Government. It took place at Hotel Nascent Gardenia Baridhara, in Dhaka, Bangladesh, from January 31 to February 4, 2016.

23 participants from Nepal, Thailand, Cambodia, Afghanistan and Bangladesh took part in the course. They engaged in three days of professional training, a one-day field visit and one day of work planning. The interactive course was delivered through presentations, exercises and group discussions. It enabled South-South experience sharing and mutual learning, interactive learning for active knowledge generation and professional networking. Participants shared experiences, ideas and critical reflections around session themes.

The main modules included:

- Definitions and sources of climate finance
- Climate finance and development finance
- International and national policy response to climate change
- National climate finance: channels, on budget, off budget
- Tools for analysing the budget
- International climate finance
- Subnational climate finance
- Public-private climate finance

IIED's Neha Rai, Saleemul Huq and Clare Stott designed and coordinated the course on behalf of ICCCAD and IIED. Climate and finance experts from IIED, ICCCAD, UNDP and UNITAR delivered the course.

**Neha Rai, IIED**



**Saleemul Huq, ICCCAD**



**Clare Stott, IIED**



The training persons included:



### **Sarah Best**

*Senior Researcher, Sustainable Markets Group, IIED*

Sarah Best's current work focuses on energy access and renewable energy, productive uses of energy, and on citizen engagement in policy and debates on energy and mining. She has expertise on pro-poor and inclusive business models, civil society advocacy for change, and a range of energy and extractives issues. Her current research is focused on East Africa.



### **Saleemul Huq**

*Senior Fellow, Climate Change Group, IIED/Director, ICCCAD*

Saleemul Huq is an expert on climate change and sustainable development, particularly from a developing country. He is a lead author of the IPCC. His current focus is on supporting the engagement of the LDCs in the UNFCCC. He is researching the LDC's vulnerability to climate change and the impact of adaptation measures. He is also the director of ICCCAD in Bangladesh.



### **Angus Mackay**

*Head of the Climate Change Programme, UNITAR*

Angus is a climate change adaptation specialist and lead trainer at UNITAR. He heads UNITAR's climate change programme, which provides capacity development services to public sector organisations in developing countries. He has previously worked for a range of international organisations including the UN Department for Peace Keeping Operations, UNDP, DFID, the World Bank and private sector environmental consulting firms.



### **Joanne Manda**

*Climate Change Finance Specialist, UNDP - Bangkok Regional Hub*

Joanne is a development professional with extensive experience working in Africa and Asia Pacific. She worked for 12 years with DFID, first as Livelihoods Advisor and then Climate Change Advisor before joining UNDP in 2013. She leads the Governance of Climate Change team's engagement with international climate change platforms, focusing on the interface between domestic and international climate finance.



### **Suren Poghosyan**

*Governance and Public Finance Specialist, UNDP - Bangkok Regional Hub*

Suren is a Ph.D. economist. He has over ten years experience in transition and developing countries, primarily focussing on linking sector policies with budgets. Suren's role on the UNDP Governance of Climate Change Finance team is to apply his expertise to the strengthening of national public finance systems and to

support countries to efficiently link climate change finance to their public finance systems.

**Neha Rai**

*Senior Researcher, Climate Change Group, IIEG*

Neha Rai specialises in public policy analysis, urban and regional planning, climate finance and governance, and socioeconomic and environmental impact assessments. She studies the political economy of climate adaptation interventions and has extensive experience of climate finance governance at the international and national level.

**Madhukar Upadhyaya**

*Regional Climate Change Policy and Institutional Expert, Regional Facilitator, Regional Peer Learning Network, UNDP*

Madhukar has over 30 years of experience of working in the field of natural resource management. He worked as an Advisor for Nepal's National Planning Commission (NPC), facilitating studies on climate financing. He produced the CPEIR and coordinated the implementation of its recommendations. He played an important role in developing Nepal's climate budget tracking system.

## 2. Programme Summary

	<b>DAY 1: 31 JANUARY</b>	<b>DAY 2: 01 FEBRUARY</b>	<b>DAY 3: 02 FEBRUARY</b>	<b>DAY 4: 03 FEBRUARY</b>	<b>DAY 5: 04 FEBRUARY</b>
09.00	Welcome, Objectives and Expectations <i>Dr. Saleemul Huq, ICCCAD</i>	Reflection on Day 1 and Objectives of Day 2 <i>Angus Mackay, UNITAR</i>	Field Trip: IDCOL	Reflections on field trip and objectives of Day 4 <i>Sarah Best, IIED</i>	Group sightseeing trip for participants
09.15	<b>Session 1: Introduction to Climate Policy and Public Finance</b> Session Lead: Angus Mackay, UNITAR Intro to the topic and perceptions on finance Presentation on climate policy and public finance Reflections, questions and clarifications	<b>Session 5: Tools for analyzing the budget</b> Session Leads: Joanne Manda and Suren Poghosyan, UNDP • Introduction to the budget – overview and purpose • Introduction to CPEIR – Key components and methodological issues • Group exercise on application of the CII • Country experience on CPEIR – peer sharing	(Transfer to Dhamrai)	<b>Session 7: Public-private partnership</b> Session Lead: Sarah Best, IIED Guest lecture: Munawar Misbah Moin, Rahimafrooz Presentation on incentivizing the private sector Reflections and Q&A Group Exercise: Systems to incentivize private sector investment	
10.45	<b>TEA BREAK</b>	<b>TEA BREAK</b>	<b>TEA BREAK</b>	<b>TEA BREAK</b>	<b>TEA BREAK</b>
11.00	<b>Session 2: International and national policy response to climate change</b> Session Lead: Angus Mackay, UNITAR Presentation on international framework Reflections and Q&A Presentation on national frameworks Group exercise: prioritization using BCR Reflections of participants	Session 5 continued • Exercise 2: Using climate change tagging <b>Session 6: International Climate Finance</b> Session Lead: Neha Rai, IIED Presentation on international bilateral and multilateral funds Exercise 1: What do the graphs tell us? Reflections and Q&A Group Exercise 1: Country experience	Introduction to IDCOL and local partner, NUSRA Field Activities Solar Home Systems Solar Irrigation Pumps Biogas Units	Session 7 continued Group exercise continued Reflections, questions	Group sightseeing trip for participants

Group Exercise 2: Direct finance access					
12:30	LUNCH	LUNCH	LUNCH	LUNCH	LUNCH
1.30	<b>Session 3: National Climate Finance</b> <i>Session Lead: Angus Mackay, UNITAR</i> Presentation on national pathways for climate finance Group exercise: Linking policy to budgets Report back and reflection space	Session 6 continued Group Exercise: How countries can access finance directly Report back and reflection space	Field Activities Continued	<b>Session 8: Sub national Climate finance</b> <i>Session Lead: Paul Steele, IIED</i> Skype Session: Subnational Climate Finance Q&A and reflections Group exercise: Choosing appropriate mix of intermediaries.	<b>Session 9: Government Group for Climate Mainstreaming</b> <i>Session Lead: Mousumi Pervin, MoDMR</i> <b>Session 10: Individual workplan development and coaching</b> <i>Session Lead: Dr. Saleemul Huq, ICCCAD</i> Participant work plans
15:45	TEA BREAK	TEA BREAK	TEA BREAK	TEA BREAK	TEA BREAK
16.00	<b>Session 4: The Peer to Peer Learning Network for Climate Finance</b> <i>Session Lead: Madhukar Upadhyar, UNDP</i>	Introduction to IDCOL and Field Trip <i>Nazmul Haque, IDCOL</i> Presentation: Introduction to IDCOL's Climate Finance Activities Questions to reflect on during Field Trip	(Transfer to Dhaka)	Session 8 continued	<b>Session 11: Fine tuning of individual workplans</b> <i>Session Lead: Dr. Saleemul Huq, ICCCAD</i> <b>Session 12: Feedback from participants and future support from RPLN</b> <i>Session Lead: Madhukar Upadhyar, UNDP</i>

### 3. Course Summary

#### Day 1: Sunday, January 31, 2016

##### Opening Session: Welcome, Objectives and Expectations

###### **Key Note Speaker: Dr. Saleemul Huq, Director, ICCCAD**

Course objectives, format and activities were outlined in the opening session. The course aimed to strengthen government capacity to access, manage and deliver international and national climate finance. It provided a forum for discussion, networking and collaboration for participants, enabling cross-country experience sharing to support effective learning.

Climate finance is an integral part of national climate change strategies. Two interlinked domains impact these strategies. One domain is the research community. This includes the Intergovernmental Panel on Climate Change (IPCC). The research community provides evidence-based information on climate change impacts and responses. The second domain is policy-making. The United Nations Framework Convention on Climate Change (UNFCCC) guides policy making. The Conference of Parties (COP) is the decision-making body of the UNFCCC. It is important for ensuring pledges for climate finance. Before COP21 in 2015, developed countries had pledged to deliver 100 billion USD a year from 2021 onwards. Recent studies by OECD show that, to date, 84 percent of dispersed funds have been allocated to mitigation and only 16 percent to adaptation. In response to the request of developing countries, developed countries have now agreed to spend 50 percent of the funds on adaptation. National climate change strategies need to emphasise appropriate actions for accessing this finance. The training course aimed to explain global, national and local climate finance management to help developing countries strategise effectively.

A brief exercise explored participants learning expectations. Participants each indicated two expectations for the course. Expectations can be grouped into the following categories:

- Managing funds at national and sub-national level
- Managing climate finance at policy level
- Managing funds by national government
- Tracking expenditure of climate change fund
- Integrating climate finance into the budget process



##### Session 1: Introduction to Climate Policy and Public Finance

###### **Session Lead: Angus Mackay, Head of the Climate Change Programme, UNITAR**

###### **Introduction to the topic and perceptions on finance**

Session 1 explored definitions of climate finance and



provided an understanding of climate policy and public finance. It gave participants and an overview of how countries manage climate finance and elicited their input on these matters. UNITAR's e-tutorial on Climate Policy and Public Finance is a foundational learning tool for this module (see

### **Box 1: Discussion Point: “What is Climate Finance?”**

The widely accepted definition of Climate Finance, from the World Bank and UNDP, is “Any flows of funds towards activities to help societies to reduce the greenhouse gases and impacts of climate change”. Participants offered their understanding of climate finance, including:

“Anything where the word climate finance is in the budget” (Suren Poghosyan, UNDP)

“Any finance for climate related activities...or any finance associated with climate funding e.g. International climate funds, green climate fund” (Farzana Mustafa, DFID)

“It is a matter of how you phrase it or how you relate to the finance that creates the resilience” (Sohara Mehroz Shachi, UNDP)

“Finance that is managed to reduce hazards that arise due to climate change” (Anand Dhakal, MoF, Nepal)

“Any fund allocated by the government for the adaptation or mitigation to the nationwide is called climate finance” (Irshad Shinwari, MoF, Afghanistan)

“Any money going to adaptation or mitigation be it government or private sector is climate finance” (Ahmad Zubair Fattahi, ACT, Afghanistan)

### **Introduction to Climate Policy and Public Finance**

#### **Angus Mackay, UNITAR**

The session explored international activities addressing climate change and development. These include the Sustainable Development Goals (SDGs) and COP21 Agreement. Participants shared their experience on the SDGs. In Bangladesh, the General Economics Division (GED) and Planning Commission aim to incorporate climate change plans into national plans to achieve SDG targets. The GED provides training and workshops to raise awareness about the SDGs among government officials. In Thailand, a national committee on sustainable development was established after the New York SDG summit, to address quality, economic efficiency and systematic data information to achieve their national SDG targets.

Many countries have started funding climate change responses through international and national sources of climate finance. 330 billion dollars has been allocated to climate activities, from private and public sources (58 percent private; 42 percent public). Climate Public Expenditures and Institutional Reviews (CPEIR) are used to assess the status of government climate expenditures, to highlight climate finance needs. International funds are collated from the national budgets of donor countries. They include the Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund (AF) and bilateral funds. At national level, governments allocate different proportions of their budget to climate change. Cambodia has allocated 15 percent of their national budget to climate programmes. If all 195 UNFCCC countries allocated this percentage, trillions of dollars would be spent on addressing climate change.

Discussions highlighted that there is much disparity in spending between different countries in the region. Climate Budget Tagging (CBT) in Nepal indicates a climate expenditure of 19 percent of their national budget, while Thailand spends 2.7 percent. Developing country governments have no choice but to increase their climate spending due to impacts on national development. The necessary climate-smart budgets must be supported by reciprocal dialogue between budgeting and climate experts at all levels. For example, an article from a national Bangladeshi newspaper, entitled ‘Flood Tolerant

'Rice Cultivation becomes Popular in Rangpur', indicates both increased action and awareness in Bangladesh and that, when applied effectively, knowledge and technology can support profitable climate change responses.

## Session 2: International and National Policy Response to Climate Change

**Session Lead: Angus Mackay, Head of the Climate Change Programme, UNITAR**

### The International Policy Framework for Climate Change

**Saleemul Huq, ICCCAD/IIED**

International policy for climate change centres on the UNFCCC process. The scientific community steered this process. The convention was established in Rio in 1992 when countries pledged commitment to reducing emissions. Three UNFCCC eras have followed, from mitigation, to adaptation, to Loss and Damage (L&D). Mitigation and adaptation finance are widely accepted, but the liability and compensation aspects of L&D remain taboo.

Participants discussed terminology for proposal writing, L&D and international engagement. Careful consideration of terminology in proposals helps secure climate finance. For example, climate finance can be used to fund development activities if the climate change benefits of development are clarified. Proposals for crossover activities in forestry and agriculture are applicable to both adaptation and mitigation funds. Proposal writers need knowledge to frame activities for specific funds. Countries have different positions on L&D, Small Island Developing States (SIDS) proposed it 19 years ago, in acknowledgement that adaptation has limits. It gained pace when Least Developed Countries (LDCs) joined the advocacy of L&D. Many developing countries (such as Saudi Arabia) are against an L&D mechanism. International climate finance such as the Sendai Framework on Disaster Risk Reduction, the SDGs and COP21 represent a new era of action on climate change for individuals and countries. While the Millennium Development Goals were about poverty reduction - action by developing countries funded by developed countries - the SDGs emphasise common responsibilities – in which both developing and developed countries have to act.

### Emergence of National Strategies

**Angus Mackay, UNITAR**

In addition to NAPAs, NAMAs and NAPs (see Box 2), countries prepare a variety of national policies and strategies that vary in form, scope and content. Some countries have developed self-standing national low-carbon strategies; for example, Ethiopia's Climate-Resilient Green Economy (ERGE) Strategy. Other countries have integrated low-carbon considerations through their national development plans. In 2009, South Korea released a National Strategy for Green Growth and a corresponding Five-Year Plan, allocating 2 percent of annual GDP to green growth. Discussion indicated that Bangladesh's Climate Change Strategy and Action Plan (BCCSAP) is based on 6 pillars that guide national climate change actions. The strategy indicates the requirements for accessing funds. Two funds, the Bangladesh Climate Change Trust Fund (BCCTF) and the Bangladesh Climate Change Resilience Fund (BCCRF) have been generated as a result of the BCCSAP. Cambodia's National Climate Funding Programme (CCFF) proposes the National Climate Funding Programme/Facility as a mechanism to manage and coordinate future climate finance, building on national budgets, private investments and donor support.

### Box 2: Overview: National Climate Change Plans

National Adaptation Programmes of Action (NAPAs) - quick, visible and needs oriented action, resulting in hundreds of projects that provide much learning.

Nationally Appropriate Mitigation Actions (NAMAs) - evolution from project-focussed to influencing policies and strategies shows a maturing of approach

National Adaptation Plans (NAPs) – push for radical change, integrating adaptation into policies, planning processes, budget processes.

## Group Exercise: Benefit Cost Ratio as a Decision Support Tool

Evaluative methods are needed to compare and select adaptation options for particular countries and contexts. Methods include benefit-cost ratios (BCR), cost effectiveness and multi-criteria analysis. In a group exercise, participants prioritised options using BCR approaches. They calculated the BCR of the Phitsanulok Irrigation Scheme, with and without climate change, to inform policy. The BCR without climate change was 2.9 and with climate change it was 2.6. This was due to higher costs associated with flood damages and disasters. Participants discussed policy options based on these calculations. Most agreed that the project should be adjusted to better respond to climate change conditions in consideration of long-term implications and necessary additional investment. The decrease in BCR was perceived as a signal to be acted on before further decreases occurred; the results indicated potential long-term implications. Calculations for necessary additional investments should be undertaken to understand the benefits of increased investment. Required investments would need to be drawn from public money, necessitating the support of the Ministry of Finance. Participants highlighted that financial decisions were not based on finance and climate data and concluded that inter-ministerial discussions were crucial. Ministries of Finance can provide support through calculating both direct and indirect benefits of investment.

## Session 3: National Climate Finance Channels

### Session Lead: Angus Mackay, Head of the Climate Change Programme, UNITAR

The module focussed on national pathways for climate finance and analysing climate finance within the Public Financial Management (PFM) system.

#### National Pathways for Climate Finance

##### Neha Rai, IIED

National pathways of climate finance include on-budget, off-budget and direct finance channels. Estimations of climate expenditure vary. UNDP (2015)<sup>1</sup> indicate that Bangladesh spend 1.17 percent of their GDP on climate change activities; Nepal spend 1.5 percent; Cambodia spend 1.64 percent; Thailand spend 0.53 percent. Climate change has to be implanted into the budget system (i.e. it must be on-budget) to ensure activities are financed. In reality, budget support is used in a limited number of countries.

Developing countries need strong fiduciary standards to access, absorb and spend climate finance effectively. Governments can develop public financial systems to support national priorities and sustainable development outcomes, through assessing needs and opportunities; building inter-governmental cohesion and knowledge; improving choices and coordination; designing a pathway that accounts for priorities, capabilities, costs, benefits and risks; and implementing these pathways with strong, rapid feedback mechanisms. Effective PFM must be complemented by appropriate policy and institutional architecture. The Addis Ababa Action Agenda (AAAA) addresses the entire financial landscape to provide appropriate financial intermediaries, instruments, planning systems and incentives that enable the poor and vulnerable to access finance and scale-up climate resilient investments. Finance is managed through PFM systems for investment in public goods.

Discussion focussed on country experiences of PFM for climate expenditure. Participants provided examples of the benefits of managing climate finance through PFM. These included minimised duplication, accountability, accuracy and better accomplishment of national objectives. Countries, including Bangladesh, Afghanistan, Cambodia and Nepal, are establishing parliamentary systems for approving climate budgets. In Afghanistan, parliaments approve budget ceiling and fix the budget for line ministries. Accounting, auditing and tracking systems are also integral to PFM systems. The Philippines have made it mandatory to account for on-budget climate expenditure. Indonesia track their expenditure emissions reduction. Bangladesh have introduced an independent auditing process; Nepal

<sup>1</sup> UNDP, 2015. Budgeting for Climate Change: How Governments have used National Budgets to Articulate a Response to Climate Change. United Nations Development Programme

have appointed an auditor general; and Indonesia have stipulated auditing requirements in the country's Mitigation Fiscal Framework.

Bangladesh is advanced in their climate finance activities. The BCCTF provides a unique example of a national public climate fund. It has allocated over BDT 290 million to climate projects. 86 projects are complete and 293 projects are in operation. The Trustee Board has final authority on project approvals, after which project funds are allocated in four instalments. Implementing agencies and the BCCTF are responsible for monitoring progress. Conversely, Afghanistan is in the early stages of exploring climate finance. They do not have a national fund. They have just one development project under the environmental umbrella and are seeking help to expand on this

Discussion examined the role of different stakeholders in public climate financing. Donors often support the transition to improved PFM systems by setting up temporary, parallel systems to manage funds. Once national systems are established, responsibility is transferred from donors to the country government. This process increases government awareness and capacity to incorporate climate change into national finance systems. Private revenues need to be carefully considered, tracked, influenced and managed by governments. Nepal has experienced problems in tracking finance brought in through private investment in hydropower and electric cars. This experience highlights challenges to tracking all finance, not only public finance; Brown University have found that tracking by OECD Development Assistance Committee using a self-reporting process is challenged by poor identification of the relevance of projects to climate change. Public-private partnerships can be considered as a way of managing private inputs.

#### **Group Exercise: Aligning climate policy with national budgets**

Using data from Cambodia's CPEIR, participants linked budgets to climate policy to align total domestic expenditure with the 8 Strategic Priorities in Cambodia's Climate Change Strategic Plan. Participants observed that some Strategic Priorities were double-pegged and expenditure could be allocated to more than one priority. This complexity was highlighted by the discrepancy in allocation between groups. For example, Group C did not classify any expenditures as L&D, whereas Groups A and B allocated livelihood, disaster and road expenditures to L&D. There were also clear similarities, for example, in allocations to capacity and knowledge. The exercise demonstrated the necessity for undertaking the CPEIR process. In acknowledgement of challenges, the CPEIR methodology is being refined to ensure consistency. Consistency in approach is of greater significance than calculations of absolute numbers. Clarity in strategies and plans and use of a budget tagging system can also help.



### **Session 4: The Peer-to-Peer Learning Network for Climate Finance**

**Session Leads: Suren Poghosyan, Governance and Public Finance Specialist, UNDP and Madhukar Upadhyaya, Regional Climate Change Policy and Institutional Expert, UNDP**

The Regional Peer Learning Network (RPLN) was established by UNDP to encourage peer-to-peer learning on climate finance issues between governments in Asia. It seeks to increase South-South collaboration in addressing specific aspects of integrating climate finance into national PFM systems. The government in Bangladesh, Cambodia, Indonesia, Nepal, Pakistan and Thailand are reforming their PFM systems to integrate climate change. They are developing knowledge, ideas and experience in doing



so. The governments can support one another through regular exchange of these experiences. The RPLN will facilitate connections to bridge knowledge, enabling south-south learning to address climate change. RPLN will support the planning of sectoral and cross-sectoral activities. This Climate Finance Course marked the beginning of the RPLN in action.

Participants from different countries were expected to take home different messages; learning in different ways and at different levels. Developing countries are leading the way in this area. For example, Nepal conducted the first CPEIR and Bangladesh produced the first Climate Fiscal Framework. RPLN is a clear and positive effort to support government capacity. Familiarity developed between the participants would support the network and the future endeavours of participants.

## Day 2: Monday, February 01, 2016

### Opening Session: Reflections and Objectives

**Angus Mackay, UNITAR**

Day 2 opened with reflections on first day's activities. Key points for participants included the need for ministerial support for climate planning, the necessity of complex climate finance expenditure calculations and the value of climate finance for local level operations. Participants expressed their enthusiasm for delving further into these issues throughout the course. The objectives for Day 2 were to complete two modules on tools for analysing the budget and on international climate finance. The day closed with a guest presentation from local financial intermediary, Infrastructure Development Company Limited (IDCOL).

### Session 5: Tools for Analysing the Budget

**Session Leads: Joanne Manda, Climate Change Finance Specialist, UNDP and Suren Poghosyan, Governance and Public Finance Specialist, UNDP**

This session explored the components of a national budget and the significance of integrating climate change activities into each part. It provided an overview of the various approaches, tools and frameworks created to review, assess and integrate climate change expenditures into budgetary processes.

#### **Introduction: Why the budget and overview of budget elements**

**Suren Poghosyan, UNDP**

Governments in South and South-East Asia have spent significant funds on climate change related activities. Climate Finance expenditure is in the range of 5-7 percent in many South East Asian countries and this trend is likely to increase. Yet climate budgeting processes remain complex. Climate budget lines are not included in Government Financial Statistics classifications. Similarly, governments rarely have a designated institution for climate finance management. Instead, expenditures and activities are spread across multiple departments, complicating the process and raising issues of accountability and financial tracking. Climate change needs to be comprehensively integrated into the budget cycle. It is important to understand when changes should be made and how they should be coordinated. Box 3 indicates the process of integrating climate finance into PFM systems.

#### **Box 3: Integrating Climate Finance into PFM Systems**

1. Inform: via diagnostic tools e.g. CPEIR and CII
2. Engage and convince: Using policy briefs, civil society and parliament
3. Enable: with Medium-Term Expenditure Framework (MTEF) templates, budget proposals, budget tracking, expenditure analysis, expenditure reporting
4. Improved climate change budget decisions and accountability: Integrated Climate Change Financing Framework (CCFF)

## Introduction to CPEIR: Key components and methodological issues

**Joanne Manda, UNDP**

The presentation summarised the tools used to analyse the budget, including their purpose and benefits. CPEIR is a diagnostic tool used to assess existing climate finance modalities to inform effective planning. The framework has evolved to include three pillars of analysis: policy, institutions and climate expenditure. It offers a snapshot rather than a comprehensive picture, to provide countries with a starting point and guidance for action. For example, following their CPEIR, Indonesia took positive first steps in establishing a budget tag system in place. CPEIRs can be supported by a range of tools that assess and guide climate expenditures.

The discussion focussed on the methods available to support the CPEIR. Participants were interested in the most efficient methods for implementing and adopting climate change within budgetary cycles. The Climate Change Integration Index (CII) is another diagnostic tool. It has four dimensions: policy, systems, accountability and development partners. It is being used in Nepal and Pakistan to support climate expenditure calculations. Climate Budget Tagging (CBT) is used for monitoring and tracking climate finance in budgets; Benefit Incidence Analysis (BIA) is used to assess whether services reach final/target beneficiaries; the Climate Change Benefits Approach (CCBA), Benefit Cost Analysis (BCA) and Cost Effectiveness Analysis (CEA) identify investment benefits; Climate Change Financing Frameworks (CCFF) can support the integration of climate finance into PFM systems.



## Group Exercise: Application of the CII

**Madhukar Upadhyar, UNDP**

The exercise exemplified how the CII can be used to integrate climate change into budgets. The CII helps to categorise areas for attention in the budget cycle by highlighting gaps that need to be amended to integrate climate change. Participants worked in country groups to score different elements of their budget cycle to identify the areas that need attention. For example, in assessing the institutional capacity for climate finance, the group from Bangladesh identified that budget guidelines are presented but a process is not specified. They gave this a score of 1. In total, Bangladesh allocated a score of 4/10 for the institutional requirements. Thailand calculated a score of 8/10 for their budget calculations; Cambodia gave a score of 3/10 for coding and Afghanistan gave a score of 3/10 for policy.



Discussion examined the time commitment necessitated for such an activity. The duration depends on the availability of necessary information. It is estimated at 3-4 days.

Discussion examined the time commitment

## Country Experience on CPEIR: Peer Sharing

**Suren Poghosyan, UNDP**

Several countries have experience to share on implementing the CPEIR and other budget analysis tools. Pakistan implemented the CPEIR between 2010 and 2014 and as a result has committed to produce a budget expenditure report. Following their CPEIR, Thailand took a bottom-up approach, initially focussed on the Ministry of Agriculture and Cooperatives.

The ministry developed a climate finance proposal to submit to the Ministry of Finance. Appropriate language needs to be used to harness the involvement of finance ministries and make climate change relevant for them. Nepal was the first country to assess their climate expenditure. They conducted a CPEIR in 2011 and subsequently established a CBT system. CBT calculations indicate that expenditure on climate response has grown from 6.74 percent in FY 2012/13 to 19.45 percent in FY 2015/16. This is likely to be a result of more accurate calculations rather than a significant increase in climate spending. Nepal's experience

provides an example of how to establish "climate smart" budgets. This includes consideration of budget and public finance structures and of allowable climate related allocations and how to "code" them into the system. They are trying to replicate the coding system at the level of local government and hope to have established this within 2 years.



## Group Exercise: Using Climate Change Tagging

**Joanne Manda, UNDP**

Participants categorised a list of budgetary allocations according to their climate change relevance. The activity highlighted the difficulty of allocating a tag to the budget, and the need for better information and methodological references when setting up a climate tagging system. The discussion focused on the evolving process of climate smart budgets. Assigning climate expenditures is complicated and the process is not an exact science. A level of interpretation is currently inherent to the process; the same project implemented in two countries can lead to different allocations. Participants highlighted that more information is needed on each activity in order to assign relevance to it. In Thailand, as much information as possible is used for making calculations. Based on these calculations, project values are suggested and a more precise number determined. Some projects have several elements, to which different relevance can be assigned. For example, the relevance of items such as staffing costs can be disputed. Projects require such expenditures to operate. Governments need to consider all necessary costs for implementing a project to calculate the extent of climate expenditures. Different governments assign responsibility for such decisions to different people. As such, UNDP advocate a set of criteria be adopted to standardise methodologies, processes and decisions making procedures, to remove potential ambiguities.

## Session 6: International Landscape of Climate Finance

**Session Lead: Neha Rai, Senior Researcher, IIED**

This session explored international climate finance mechanisms, their sources, focal themes and differing access modalities. Climate finance of USD 40 billion is allocated to developing countries. Only 3 percent of this is for LDCs. LDCs will need USD 93.7 billion per year to implement their Intended Nationally Determined Contributions (INDCs). Countries need the capacity to access more finance and build revenue to fund INDC targets and bridge fiscal gaps. The session explored enablers and barriers

to this. It examined UNFCCC, non-UNFCCC funds and looked in detail at the GCF process, including accreditation (see Box 4).

### **International bilateral and multilateral funds**

#### **Neha Rai, IIED**

The international climate finance landscape is complex. There are multiple sources of climate finance, including bilateral funds, multilateral funds, private sector and national climate funds. These can be differentiated according to channels (UNFCCC or non-UNFCCC) and focal themes (adaptation or mitigation). There are differences in modalities and approval processes for different funds. The GCF is a key source of climate finance for developing countries. The mechanics and key entities of the GCF, include the GCF accreditation framework and process (see Box 4) and the differentiated roles of National Designated Authorities (NDAs), Implementing Entities (IEs), Intermediaries, and Executing Entities (EEs).



Discussion was based on the GCF institutions and finance modalities. GCF NDAs have a more prominent role than previous NDAs. They have greater responsibility for monitoring and evaluating programmes. Participants have found UNFCCC funding requirements (e.g. fiduciary standards, monitoring and reporting) stringent, making funds difficult to access.

## Box 4: Overview: GCF Accreditation

What is accreditation? The process of authorising institutions to funnel and implement the GCF within developing countries i.e. Intermediaries and Implementing Entities.

### Key elements

- Fit for purpose accreditation: Simplified and tiered accreditation; Fiduciary standards to be adjusted to suit the nature, scope and risks of the proposed activities
- Fast tracking: Accounting for track records of entities; implementing entities and financial intermediaries can be fast tracked if already complying with the Adaptation Fund or GEF.
- Interim environment and social safeguards: IFC standards

### 3 Stage Process:

- No objection certificate, institutional assessment and readiness
- Review and decision
- Final validation and legal arrangements

### Investment framework

- Investment decisions are based on 6 investment criteria:
  - Impact (contribution to the GCF results areas);
  - Paradigm shift potential;
  - Sustainable development potential;
  - Needs of the recipient countries and populations;
  - Coherence with a country's existing policies or climate strategies;
  - The effectiveness and efficiency of the proposed intervention.

## Exercise 1: What do the graphs tell us?

### Neha Rai, IIED

Participants examined graphs to infer trends between adaptation and mitigation finance. The graphs indicated that Bangladesh is receiving significantly more finance than other countries. Discussion highlighted that interpretations of the graphs were dependent on country contexts. In developing countries, the focus is on adaptation, with mitigation as a later step. Different institutional structures and priorities affect allocation.

## Group Exercise: Country experience

### Sarah Best, IIED

Participants discussed their country experience in accessing international climate finance. As a middle-income country, Thailand experience difficulty in accessing adaptation finance. They require technical assistance to support access. As a low-income country, Cambodia are able to access adaptation funds. Mitigation funds are less relevant as their carbon emissions are limited. In some cases the funds target the country. For example, the PPCR made the decision to finance activities in Nepal. Bangladesh target bilateral funds as they are easier to access than UNFCCC funds. They attribute their high levels of international climate finance to this. They receive minimal finance from international funds in

comparison to the national climate finance they are generating. Comprehensive examination of the different sources of climate finance contributing to a country is useful for contextualising the individual sources of finance.

### **Group Exercise: How countries can access finance directly?**

**Neha Rai, IIED**

The exercise explored access to funds, examining how different countries are able to access UNFCCC and non-UNFCCC funds. Participants worked in groups to discuss and list enablers and barriers to accessing funds.

The accreditation process is considered a major barrier. It is a complex process requiring a great tie investment. Basic fiduciary standards support accreditation. These include administrative and financial capacities, transparency and accountability. The GCF requires a two-stage project approval process after entities have been accredited. First, proposals need to be prepared and receive appraisal. Second, they are considered for funding by the board. Countries have reached different stages of the process. Bangladesh has 20 accredited NIEs and used them to access funding and implement projects. Afghanistan has yet to identify an NIE. They may need to take a step back and first gain clarity on the funds available, by developing fund profiles. Participants from Bangladesh advised that strategic partnerships aid co-financing. Indirect financing through an MIE may be a more accessible option. Overcoming these initial challenges can be more beneficial in the long term. The accreditation process builds capacity of countries to manage funds and therefore receive continued inputs. Transparency and monitoring is crucial. Once finances are received, successful delivery on the ground is central to ongoing success in accessing funds and responding to changes.



### **Guest Lecture: Presentation from IDCOL**

IDCOL were invited to give a guest lecture ahead of the field trip to provide participants with a background on their operations. They provided an understanding of the programme design to enable participants to replicate it in their own countries.

#### **IDCOL's Innovative Inclusive Financing Mechanism for Climate Resilient Development in Bangladesh**

**Guest Presenter: Nazmul Haque, Director (Investment) & Head of Advisory, IDCOL**

The presentation explored IDCOL's climate resilience operations in Bangladesh. IDCOL is a state-owned financial institution dedicated to promoting and financing infrastructure, renewable energy and energy efficiency projects in Bangladesh. To do this, IDCOL catalyses private sector investment and encourages Public Private Partnerships (PPPs). They leverage support from bilateral and multilateral agencies and work with Small and Medium Enterprises (SMEs), NGOs and micro-finance institutions to provide subsidies and loans at the local level. Their vision is to ensure economic development and

improve living standards through sustainable and environment-friendly investments. They have made a rapid and widespread contribution to low-carbon resilient development in the country.

IDCOL has facilitated the establishment of Solar Home Systems (SHSs), Solar Irrigation Pumps (SIPs), Biogas Systems and Solar Mini-Grids. They established the SHS programme in 2003, with funding from the World Bank, aiming to provide access to clean electricity in off-grid rural areas of Bangladesh. The programme started with a target of 50,000 systems in 5 years. IDCOL achieved this in 2.5 years. The target was reset to provide 6 million SHS by 2018, meaning the programme would provide for 12 percent of the population. The programme peaked in 2013 with an installation rate of 20,000 systems per month. Growth is now moderating as the market matures. SHSs were financed through part subsidy and part microcredit loan via a local NGO. The NGO provides 20 percent of the loan, meaning that their commitment to managing repayments is secured. Households are engaged through competitive subsidy rates making SHSs cheaper than the kerosene alternative. Household representatives participate in an operations committee to manage competition between organisations offering the same services. Under IDCOL's scheme, consumers pay USD 5.4 per month for three years. IDCOL provide a good service to ensure that repayments are received from the households and NGO. Subsidies are offered to less affluent households. Second systems or extra units are not subsidised.

The business model applied for the SHSs has been found to be successful. Variations for different systems are apparent yet the key programme features remain the same, including targeting subsidies for the poor, maintaining quality after sale services, and developing and promoting domestic support industries. Cost was identified as a barrier for SIPs. Subsidy calculations are based on water costs for farmers. A significant price drop, from USD 50,000 in 2010 to USD 20,000 in 2016, mean that SIPs are now subsidised at 50 percent of the system cost.

IDCOL have recognised increasing desire for and access to a range of appliances, including fridges and TVs. They have built 50 solar mini grids to provide the energy for these additional appliances. The systems store excess energy in batteries so that energy is provided day and night. Biogas projects are fuelled from poultry farms. Biogas plants reduce disease and are a good business for the poultry owners. Subsidies are only provided for small-scale poultry farms. IDCOL recognise the significance of government support for their sustainable operations. Their board represents a PPP: half of their board members are senior government employees; half are from the private sector.

## Day 3: Tuesday, February 02, 2016

### Field Trip

Participants attended a field trip in Dhamrai, an area 40 kilometres northwest of Dhaka, where IDCOL support local NGO, *Network for Universal Services and Rural Advancement* (NUSRA), to implement climate resilient and low carbon activities. The trip provided participants with an opportunity to learn directly from ground level beneficiaries. Participants explored the results of climate finance channelling; in Dhamrai it has improved energy security for Bangladeshi citizens and provided several co-benefits to improve their livelihood security.



### Presentation: NUSRA at a Glance

#### **Mr. Md. Shafiqul Islam, Programme Coordinator, NUSRA**

NUSRA implements a number of programmes at the local level, including microfinance, income generation, awareness raising and renewable energy activities, to improve their beneficiaries socio-economic wellbeing. They receive finance from IDCOL to establish climate-related activities and follow a sustainable business model to maintain progress. Discussion focussed on costs, capacity, repayment processes and impacts of NUSRA's renewable energy activities. Combinations of grants and loans finance SHSs. 20Wp or 85Wp systems cost BDT 10,000 and BDT 28,000 respectively. Beneficiaries make loan repayments on a monthly basis e.g. 80w systems require repayments of 952 BDT per month. NUSRA are yet to conduct an official impact study for their SHSs and SIPs. There is a high demand for SIPs, which are cheaper to use than alternative options, such as on-grid electricity or diesel fuelled pumps. Observations suggest that beneficiaries' wellbeing is improved by adopting such technology. Biogas plants are subsidised by BDT 13,500. The most popular systems have a volume of 2.4m<sup>3</sup>. Households commonly fuel the plants with cow dung and sell excess fuel to their neighbours for an additional income. Initially, NUSRA experienced cultural barriers to their implementation, related to odour, health and religious uncertainties. These were overcome once beneficiaries observed the benefits of adopting the technology. NUSRA have also experienced challenges in identifying effective partners, technology cost and maturity, and willingness to engage.

### Activity 1: Solar Home Systems

IDCOL provide finance and technical support for SHSs, while NUSRA install the system, extend credit to end-users and provide after sales service. Different system sizes are available, supporting different ranges of appliance (see table below). Households are responsible for maintenance and loan repayments, over a period of three years. A 20Wp system has a market price of USD 138. A subsidy of USD 20 is provided, making the system price USD 118 for households. Households make a down payment of USD 17.7 to programme officers and are provided with a loan for the remaining system cost. Loans have an interest rate of 16 percent per annum, and households are required to pay USD 4 per month for 3 years. IDCOL refinance 70-80 percent of the household loan to NUSRA with an interest rate of 6-9 percent per annum, repaid over 5-7 years.



Discussion focussed on the household perspective of SHSs. Consumers choice of SHS size is usually dependent on their financial capacity. Upon installation, households are provided training in system use and maintenance. After installation, NUSRA periodically checks the system functionality. Households have gained economic and livelihoods benefits

from the SHSs. For example, SHSs provide energy for light for continued income-generating activities, such as tailoring, after dark.

#### SHS Details and Cost

Capacity	Appliances	Operation	Cost (BDT)
20Wp	3W LED Lamp: 2 Mobile Charger: 1	4-5 hours	10,000
50Wp	3W LED Lamp: 5 LED Colour TV: 1 Mobile Charger: 1	4-5 hours	n/a
85Wp	3W LED Lamp: 7 LED Colour TV: 1 Mobile Charger: 1 12W Table Fan: 1	4-5 hours	28,000- 31,000



#### Activity 2: Solar Irrigation Pumps

SIPs provide off-grid irrigation facilities for farmers. IDCOL has financially supported 205 SIPs around the country. The SIP in Dhamrai supports 17 farmers, providing a daily flow rate of 384,000 litres. Water is pumped through a 7.5 kW pump, fuelled by a 8.4 kWp solar panel. Each system costs BDT 3.5 million to install. This cost is provided through a 40 percent grant provided by KfW, a 30 percent loan provided by the World Bank and the remaining 30 percent of costs are covered by NUSRA. The cost of irrigation varies throughout the year depending on the season and volume of water required.

Discussion focused on the management and operation of the SIP. The community manages the system. Water is pumped from the ground into irrigational channels dug by the community. The solar energy can be redirected for other activities, such as husking or oil pressing, when irrigation is not needed, i.e. during rainy season. This requires effective planning and management by the community, as there is no storage mechanism in the system. They must accurately calculate energy sales to ensure the profits cover loan repayments. While SIPs are effective, SHSs are more profitable for users.



### Activity 3: Biogas Programme

Households primarily use fuel from domestic biogas plants for cooking purposes. An average plant also produces 2.5 tons of organic fertiliser per year, which households use to fertilise crops and fishponds and sell for income. The use of biogas plant has reduced firewood consumption by 39,000 tons a year (equivalent to USD 3.4 million). Two types of biogas plants are installed in Dhamrai: brick-cement and fiberglass bio-digester plants, which cost from BDT 22,000 for a 1.2m<sup>3</sup> plant and 27,000 for a 1.8m<sup>3</sup> plant, respectively. Households are required to make a down-payment of 15 percent of the plant cost. NUSRA provides customers with a loan for the remaining cost, of which IDCOL refinance 80 percent at an interest rate of 6 percent per year. IDCOL provides an investment subsidy of BDT 13,500 for brick-cement plants and BDT 25,000 for fibreglass plants.



Discussion focussed on the benefits of different plant types and the co-benefits for households installing a domestic plant. While brick-cement plants take longer to install they are cheaper and rely upon readily available materials. Fibreglass plants are more efficient, movable and less prone to damage. Plants can last for 20 years if properly maintained and fuelled. Maintenance needs are limited to pipe cleaning and repairs. Excess gas can easily be sold to neighbours by redirecting the pipe. Households receive an income of BDT 500-700 per sale. They receive significantly more for selling fertiliser, with income estimated at up to BDT 35,000 per month.



## Day 4: Wednesday, February 03, 2016

### Opening Session: Reflections and Objectives

**Sarah Best, IIED**

Participants recalled facts from the field trip. The scale and range of IDCOL's activities, the inputs required, their service approach and their motivations were emphasised. The positive impact on household empowerment was highlighted. The field trip allowed the whole chain of climate finance operations to be observed. IDCOL achieve mitigation results by increasing renewable energy access, and adaptation by increasing household resilience. Participants noted the significance of government policy in supporting IDCOL's activities.

The objectives for Day 4 included further exploration of PPPs and subnational level climate finance, with modules on the two topics. The day commenced with a second guest presentation.



### Session 7: Public-Private Partnership

**Session Lead: Sarah Best, Senior Researcher, Human Settlements Group, IIED**

**Guest lecture: Munawar Misbah Moin, Managing Director, Rahimafrooz**

Rahimafrooz is a private organisation operating in Bangladesh. It takes technology-driven measures to respond to the energy and connectivity needs of off-grid communities. It provides solar systems, banking, telecom and data services. Their intervention means that many households now have lighting, colour televisions and mobile phone recharge points within their homes. Rahimafrooz boasts the capacity to deliver services to anywhere in Bangladesh within 24 hours. Government policies and mandates can support the involvement of private sector organisations in climate change and development activities. Changes in Bangladesh are already benefiting private sector organisations. For example, Bangladesh Bank is playing a significant role in providing funds for green growth and incentivising the private sector. Rahimafrooz is a classic example of the ownership and drive coming from within Bangladesh – driven by Bangladeshis, and by Bangladeshi institutions.

Discussion focussed on the challenges, opportunities, partnerships and plans for Rahimafrooz and other private companies engaging in climate activities. Rahimafrooz address challenges by engaging with their customers to find solutions and meet demand. Though initially customers were seeking access to energy, they now have wider and more varied demands. Companies that identify and meet public demands have greater opportunity to develop their activities and can diversify their product range. They should always ask themselves how they could improve the lifestyle of a household. In countries with less progress in this area, local drivers and entrepreneurs need to spur activity. In Bangladesh, inclusive banking mandates have helped Rahimafrooz to scale-up activities. They partner with local, small-scale technology providers that produce high quality products and provide them with a volume of orders to allow them to develop. Due to such support for businesses as well as households, all parts of the SHSs are now made in Bangladesh. Different parts of the system are outsourced to different manufacturers, branded by Rahimafrooz and tested and certified by IDCOL. Rahimafrooz have been exporting their solar battery to Nepal since 2004 and are now sending out solar panels to the Nepalese market. They understand that development partners are now becoming interested in private sector engagement and are keen to partner with private organisations. Rahimafrooz have leveraged financial support from commercial banks by proving their capacity to manage loans effectively, by

providing recipients with credit, information and a platform to keep track of payments. Those receiving a reasonable income can afford SHSs, so the role of public finance should be to reach the poor.

### The role of private sector and to incentivise using public finance

**Sarah Best, IIED**

The presentation identified the role of the private sector and how it can be incentivised using public finance. There are several actors involved in private sector investment, including international commercial banks, domestic commercial banks, private foundations and microfinance institutions. Private investment involves significant funds; investors require safety measures to reduce risk and adequate knowledge to support their investments.

Appropriate policy can encourage their involvement. Multilateral climate funds such as the GCF, CIF, PPCR, IFC and AIB aim to foster private investment. The GCF has designated 20 percent of its finance to its Private Sector Facility. The facility aims to incentivise banks and insurance companies by providing them loans with low transaction costs. A local entity can engage with GCF either by becoming accredited or as an executing entity. Public sector funding is also used to incentivise private sector engagement e.g. through catalysing investments in decentralised energy access projects. Policy and economic incentives to promote private sector investment, open new markets and reduce government and donor expenditure have provided commercial banks, non-banking financial institutions and development banks with the mandate, experience and capacity engage in private sector climate finance activities. Multiple Financial Instruments channel and deliver finance, including basket funds, special purpose agencies, microfinance institutions, NGOs and technology providers.



Discussion explored the challenges a country faces in bringing the public and private sector onto one platform, due to differing priorities or agendas. This has proven a challenge in adaptation interventions, for which private sector investment has been slow. The private sector may be more likely to invest in long-term adaptation where they see risk in their own operations. For example, declining cocoa supplies in West Africa have spurred action in the chocolate industry. The insurance sector has made the first movements, as they are particularly vulnerable to impacts such as infrastructure damage. Private finance in adaptation is seen in the agriculture sector, for example in flood resilient seed varieties and intercropping cash and food crops. These small movements suggest that an economy may be nurtured around adaptation investment in the longer term. Participants highlighted a capacity constraint in addressing climate change within the private sector. It was suggested that sharing reliable knowledge could play a pivotal role in leveraging private sector engagement.

### Group Exercise: What systems will you put in place to incentivise your domestic private sector to invest in climate related activities

The exercise explored appropriate systems for incentivising the domestic private sector to invest in climate related activities. Participants considered their current work programme to identify challenges, including ensuring a low-carbon and resilient approach for PPP, government promotion activities, capacity constraints of private sectors and risks of engaging. They identified solutions, potential partners and first steps for implementation. Participants reflected on their own experiences. Nepal is receiving significantly more climate-related finance from private sources than public sources, and has made some successful steps in leveraging private finance through hydropower projects. Public finance can incentivise private finance. Private entities can access finance directly through accreditation and indirectly by becoming an executing entity. For example, Bangladesh Central Bank provide commercial banks concessional loans of 5-8 percent, This incentivises them to invest. The green banking policy obliges banks to put aside 5 percent of their lending portfolio to the green economy. In Nepal, the Climate Resilient Ecosystems and Livelihoods programme has made good progress in leveraging private finance and two banks are involved in financing clean energy. DFID provide grants to incentivise private finance. DFID have found that it is often through associated activities that returns are made. For

example, solar mini grids provide little return, but additional returns are gained from corresponding activities such as equipment sales and ice factories. Returns on investment must be considered on a wider scale. There is much potential to scale up innovations through the investment from the private sector.

Afghanistan identified a major challenge in responding to climate change due to their security situation. For example, hydropower stations have been targeted in attacks, restricting electricity access for many people. Private and foreign investment in climate responses is difficult to engage while the security situation remains difficult. Participants explored how to address this barrier. Different stakeholders can be engaged. For example, NGOs have rebuilt hydropower plants that were previously destroyed. Raising awareness among the private sector is also key to incentivising their involvement. Participants suggested implementing awareness programmes via media and company visits, and to evaluate learning outcomes to ensure awareness raising activities are effective. In Afghanistan, the Private Sector Support Agency, microfinance institutions and the Ministry of Commerce were identified as potential agencies to manage awareness-raising activities. These should incite an understanding of the additional risks involved in investing in Afghanistan due to the security situation, and how to manage these risks. In Nepal, the capacity of the private sector to continue operations during difficult times has been noted. Their desire to continue operations means they identify opportunities and benefits despite challenges. Their awareness of situations enables them to continue operating in difficult times. The government also provide the private sector with guidelines for risk taking. Afghanistan can learn from this, and develop a government system for incentivising private sector engagement. The government could identify secure areas for private sector establishment, and facilitate expansion as the situation improves. Community trust in private sector organisations is also very important. For example, in Bangladesh IDCOL is a known, trusted and proven organisation. It is therefore appealing to households. Their collaboration with locally known NGOs also supports their acceptance.

## Session 8: Sub-National Climate Finance

**Session Lead: Neha Rai, Senior Researcher, Climate Change Group, IIED**

**Skype Session: Subnational Climate Finance**

**Paul Steele, IIED**

The presentation examined climate finance for poor households, including household climate expenditures, the advantages and disadvantages of financial intermediaries operating at household level. Households require financial support for climate resilience and response activities such as climate resilient seeds and housing maintenance. Finance channels include local government, social protection schemes, urban poor funds, local climate funds and civil society organisations. There are advantages and disadvantages to each of these. Local government finance channels are beneficial in building networks between households, communities and governments, yet are prone to corruption. Social protection schemes provide support for those unable to access concessional loans and microcredit. In India, the Mahatma Gandhi National Rural Employment Guarantee Scheme has provided employment to 50 million people annually, since 2006, distributing USD 25 billion. Social protection schemes are often used for disaster prevention and response. Local and civil society funds are operated under local supervision. Both have met challenges in up-scaling. Kenya's 'County Adaptation Fund' (CAF) provides a successful example. Local institutions and intended beneficiaries were central to the fund's planning process. After a pilot phase, the fund was successfully scaled-up in several counties. CAFs have enabled connections between communities and formal planning systems, built local ownership and management of funds, and achieved a sustainable financial mechanism. Another example comes from Bangladesh's Local Disaster Risk Reduction Fund (LDRRF). Again, local needs were assessed through a participatory process. The LDRRF delivers finance directly to the local level, including to local NGOs and government. Challenges exist in the lack of management capacity in Disaster Management Committees, leading to dependence on NGOs and Project Implementation Officers. Additional local channels include extra budgetary channels, PFM channels and Urban Poor Funds. These local mechanisms ensure that development finance reaches the marginalised and support successful up-scaling of financial mechanisms. Participatory processes, including involvement of local institutions, help to enhance property reduction and inclusiveness.

**Group Exercise: Role Play: Which Financial Intermediary is Best for my Household**

A role-play exercise prompted consideration of the pros and cons of local financial intermediaries available to households. Participants took the role of either financial intermediary or household. Financial intermediaries included a social protection agency, a local climate fund, a local government fund and a Community Based Organisation (CBO). They pitched their approach to households, who subsequently voted for their chosen intermediary. The local climate fund received the most votes, due to their reputation and the perceived prestige in engaging with them. Pros included the provision of technical support, targeting of most vulnerable, needs-based project approach, sustainable input and 60:40 grant to loan ratio. The local government fund emphasised the benefits of decentralisation and promised comprehensive monitoring, reliable service delivery, priority of vulnerable groups and technical support. Household doubt was due to corruption, elite capture and resource constraints. The CBO received a few votes due to familiarity, trust and participatory project development, however households sought larger funds than the CBOs offered and preferred more experienced and larger funding streams. Finally, The social protection agency received no votes due to their post-disaster rather than prevention activities and their provision of cash as opposed to material resources in times of crisis.

## Day 5: Thursday, February 04, 2016

### Opening Session: Objectives

The final day aimed to reflect on key learning points to strategise actions for in-country application. Organisers stressed the continued support that would be provided for participants; particularly through ICCCAD's alumni network and UNDP's RPLN.

#### **The International Centre for Climate Change and Development: An Overview**

##### **Mrs. Ina Islam, Deputy Director, ICCCAD**

The presentation provided a general overview of ICCCAD. ICCCAD aims to develop a world class institution that links local experience, knowledge and research from one the countries most affected by climate change: Bangladesh. ICCCAD nurture sustainable partnerships build bridges between sectors and develop internal and external capacity. The organisation has developed a wide alumni network to enable continued sharing of knowledge and ideas in support of shared objectives. Participants were encouraged to join the network to share experiences and seek future support.

### Session 9: Government Group for Climate Mainstreaming

#### **The Government Group for Climate Mainstreaming**

##### **Mousumi Pervin, Bangladesh Ministry of Disaster Management and Relief**

The Government Group for Climate Change Mainstreaming is a knowledge platform that promotes networking among government members from 20 countries. Members share their ideas and experiences in addressing common problems faced in achieving SDG targets. This platform is linked global negotiations. It identifies synergies between global, national and local climate change challenges. Participants were invited to join the group. They suggested creating an online networking system for knowledge dissemination.

### Session 10 and 11: Work Plan Development

#### **Work Plan Development, Coaching and Fine Tuning of Plans**

##### **Saleemul Huq, ICCCAD/IIED**

Each country group developed a work-plan of activities aiming to develop a climate smart budget, adopt a climate budget tagging system, access international funds, and mobilise the private sector (see Table below). The plans aim for greater cooperation and collaboration between national ministries and partners through stakeholder consultations and dialogues. Participants expect to apply these plans within the fiscal year.

Country Work Plans	Bangladesh	Nepal	Thailand	Cambodia	Afghanistan
What will be done with this knowledge	Access the international climate fund Mainstream climate finance in the national budget Shape the national climate expenditure Motivate private sector for their engagement in climate initiatives, be it adaptation or mitigation	Link climate change Policies and Budgetary process more accurately Share information on climate finance with key stakeholders Promote private sectors' role on climate finance Initiate expenditure tracking system	Support the accreditation of the domestic national implementation entities (NIEs) Develop the GCF country work program to provide framework and priority areas of the proposed projects	Make a report of outputs from the training for my ministries Help to develop the climate finance briefing Help to update Climate Change Financing Framework	Raise government awareness Conduct Assessments on CC financing Working with solar system
When will it be done	At the time of budget preparation In the negotiation process In the preparation process of Five Year Plan (FYP)	Within the fiscal year 2015/16	Jan-Apr 2016 (support the NIE accreditation) May-Jul 2016 (develop GCF country work programme)	As soon as they receive approval from senior For the training will do soon when UNITAR set the schedule	Within this year, 2016
With whom will it be done	Government Ministries /Division Agencies Development Partners Private Sectors including Bank and financial institutions Research and Development including academics	Ministry of Finance Planning Commission UNPD Relevant line ministries	Natural Resource and Environment Policy and Plan (ONEP) Minister of Natural Resource and Environment (MONRE) International Development Partners RPLN members	CCCA team, PPCR team Line ministries and UNITAR	Government civil servants, CSOs, NGOs etc.
How will it be done	Through inter-ministerial coordination and dialogue, consultation with stakeholders, enhancing the capacities of the Institutions for using Climate Finance, strengthening the Local Government institutions, Promoting the local drivers through national initiative etc	Through reviewing existing Policies, Consultation between MOF, planning commission and line Ministries, preparing Guide line and appropriate formats for expenditure reporting, reviewing existing financial mechanism etc.	Collaborate with several international development partners to initiate technical assistance project to enhance capacity of domestic NIEs in developing potential proposals for the GCF	Workshop Reference documents Consultation (line ministries and expert teams)	Organize one-day workshop(s) on Climate Financing and Climate Budgeting, Policy Analysis, Institutional Analysis, Expenditure Analysis, Forecasting the adaptation budget etc.

## Session 12: Feedback from participants and future support from RPLN

The course sought to contribute to countries long term goals through providing participants with a deeper level of thinking and analysis. It was intended to establish a dialogue. Trainers encouraged participants to share future problems and progress, through exchange visits, knowledge sharing and peer-to-peer learning.

### RPLN: Next Steps

#### Madhukar Upadhyar, UNDP

RPLN participants from member countries shared their ideas on how to use the knowledge gained from the short course and promote it through this network. They plan to establish comprehensive network communication to secure continued learning. As a first step, they will share their country priorities, common areas and expectations.

## Closing Ceremony

The closing ceremony was presided by Dr. Saleemul Huq (Director, ICCCAD), Neha Rai (Senior Researcher IIED), Prof. Omar Rahman (Vice-Chancellor, IUB), Dr. Atiq Rahman (Director, BCAS) and Mr. Nick Beresford (Deputy Country Director of UNDP Bangladesh). Dr. Atiur Rahman (Governor, Bangladesh Bank) was the Chief Guest. He presented each participant with a certificate of completion.

Dr. Atiur Rahman gave a formal speech about the initiatives and programs implemented by Bangladesh Bank (BB) that have been effective at delivering access to finance and services to the most affected and marginalized of the nation. He mentioned in particular the efforts of BB in providing guidance and encouragement for commercial banks to provide financial schemes and support for Green Technology measures to low-income households. He acknowledged the effectiveness of short courses (especially on Climate Finance), to further the knowledge and capacity of local institutions and provide guidance and advice in linking local/national government systems to larger international institutions and mechanisms. Furthermore, he remarked on how to gain and disseminate information on incentivizing local markets to use more “Green Finance and Green Banking” products such as; Green Bonds and tax-break schemes, to raise environmental safety standards of local economies and households.



As Lead Facilitator of the course, Neha Rai re-iterated some of the key lessons of the course. She highlighted how national public expenditures amount to more than international funding coming into individual nations and that recording/monitoring those expenditures and evaluating their effectiveness is crucial for developing countries. She mentioned it was encouraging to have so many local representatives from developing country institutions across Asia and to be able to build and improve upon their working relationships as it is the local communities who can attest, and will benefit, from successful climate finance interventions.



Dr. Atiq Rahman and Prof. Omar Rahman spoke as respected partners of the organizing institutions for the course. They mentioned how reassuring it was to see representatives from developing countries collaborating and sharing knowledge to build their capacity on climate finance issues. They expressed their continued effort to facilitate further knowledge sharing exchanges and trainers to seek further point of collaboration.



As representative of one of the organizing institutions, Mr. Nick Beresford (Deputy Country Director of UNDP Bangladesh) spoke about the importance of local institutions to strengthen their systems and procedures to monitor climate finance and to develop and disseminate their knowledge and experiences on accessing international finance.



Mr Ahmad Zubair Fattahi, Team Leader – Action on Climate Today (Afghanistan) reflected thoughts about the learning experience of the course on being able to explore opportunities of small-scale, low-tech energy solutions (i.e. IDCOL's Solar Home Systems and Solar Irrigation Pumps) within his home nation, Afghanistan.



Dr. Saleemul Huq gave a concluding speech. Participants, trainers and facilitators were encouraged to update one another on progress and success in implementing their new knowledge within their own countries and institutions. IIED and ICCCAD plan further short courses on climate finance. Country participants were encouraged to join in future courses as guest presenters, to share lessons gained from developing and executing the work plans developed during the course.

Participants were each presented with a certificate of completion.



## 4. Course Evaluation

Participants completed an evaluation of the course. The feedback will be used to fine tune future training courses. Feedback was received from 19 of the course participants. They rated elements of the course between 1 and 5, 1 being low and 5 being high. In general, the course received positive feedback. This is summarised in the table below.

Category	Average Score
Course Content	4.4
Confidence in communicating knowledge to others	3.9
Participatory activities	4.2
Quality of the trainers	4.5
Interaction between the trainer and participants	4.6
Logistics and venue	4.2

The evaluation of the course content was good, achieving an overall high score of 4.4/5. Further details of the evaluation of course content revealed that participants found it to be relevant and comprehensive. Additional topics suggested by participants, included:

- The economics of climate change
- How to create an adaptation plan
- Documentation for the GCF
- Latest outcomes of COP21
- How to reflect the climate change expenditure in national accounts/reporting
- Climate change negotiation
- Mechanism and management of national finance
- A primary focus on International funds
- Facts or progress on climate change finance negotiation at international level

One participant made the suggestion to “*continue the training with a higher course for 3 weeks*”. Another participant suggested that more cross-country experience sharing and practical exercises would be useful. Some of the topics listed above were covered in the course within broader modules. Follow up activities that provide further depth and detail on these topics would be beneficial.

Participants had differing level of knowledge and specific learning needs. Feedback highlighted this disparity. Participants reported that: “*a few points were quite new and not easy to understand*”, while another reported: “*the course is designed for the beginner. Those who are already working with donor funds may find the course a little bit slow*”. Another participant highlighted that the “*focus was more on government officials...a bridge could have been made between policy makers and researchers...the scope of any further research should have been highlighted*”.

A major success indicator was participants’ confidence to share new knowledge and understanding with colleagues in their respective countries. The major take-home learning points identified by participants included:

- International Finance: “*The process of how to access international funds for climate finance*”; “*International Climate Funds*”; “*Learning about the various International Finance Mechanisms*”; “*Accessing GCF*”
- Subnational Finance: “*Sub National project implementation*; “*Subnational Finance*”; “*Local drivers are the most effective change makers*”

- The comprehensive whole: “*All training and sessions*”; “*Climate Budget and Financing*”; “*Session 2, 6 & 8*”; “*Good way to start for understanding of Climate Finance*”
- Country Preparation: “*Preparing the country for making the smooth transition to a middle income country through National Utilities*”; “*Building good system & institutions are necessary to have huge climate finance in the future*”
- Connections: “*Linked to a new network and new knowledge*”; “*Networking*”; “*Further learning and sharing opportunities*”

This category received an average score of 3.9. This is the lowest average score. It indicates a satisfactory confidence level, with room for improvement. Participatory, interactive learning, supported by quality trainers was provided to enable lasting knowledge provision. Participants gave each of these approaches a high score of over 4. This indicates that the intended approach of the course was achieved and was considered to be beneficial. Future courses could benefit from a thorough evaluation of how to increase post-course knowledge sharing capacity.

Finally, the venue and logistics received a good score, though national participants could have benefitted from a more accessible location.

The evaluation provides a few clear points for maximising the content, approach and impact of this and future courses. The comments on content indicate that some focus is needed in targeting content level for individual needs, including further depth for some participants and increased foundational learning for others. This may require different courses at beginner and advanced levels. Participant's subsequent ability to communicate knowledge with others outside of the course could be improved via follow-up training on targeting learning points that reflect the specific needs of individual participants. Participants desire for further training is a positive reflection of the course. It demonstrates that there is much to learn and a great need for continued training. Future courses would benefit from a more vigorous preliminary needs assessment, customising of training content according to these needs, and contextualisation of training activities to ensure new knowledge is made relevant to participant's own work context and is therefore easier to identify with, understand and share with others.

## Annex 1: Participant List

Name	Designation	Institution
Ms. Shamima Nargis	Additional Secretary (UN-I)	Economic Resource Division, Ministry of Finance, Bangladesh
Mr. Mohammad Iftekhar Hossain	Deputy Secretary UN Branch-5	Economic Resource Division, Ministry of Finance, Bangladesh
Mr. Enayet Hossain	Assistant Director (Policy)	Internal Resources Division, Ministry of Finance, Bangladesh
Ms. Farzana Mustafa	Deputy Programme Manager	Climate Change and Disaster Resilience Team, DFID, Bangladesh
Mr. Youba Raj Pokharel	Assistant Forest Officer	District Forest Office, Myagdi, Nepal
Mr. Md. Iskandar Hosan	Assistant Director (Planning)	Bangladesh Climate Change Trust Fund, Bangladesh
Mr. Atiullah Eshanzada	Water and Glacial Expert	National Environmental Protection Agency, Afghanistan
Mr. M. Homayoon Jamal	Forest Management Manager	Forestry Department, Afghanistan
Mr. Irshad Shinwari	Budget Analyst	General Directorate Budget, Ministry of Finance, Afghanistan
Mr. Azer Jebran	PFM Advisor	DGB, Ministry of Finance, Afghanistan
Mr. Sayed Nasir Ahmad	Budget Policy and Reporting Specialist	General Directorate Budget, Ministry of Finance, Afghanistan
Mr. Ahmad Zubair Fattahi	Team Leader	Action on Climate Today, Oxford Policy Management, Afghanistan
Ms. Saibeen Sultana	Assistant Director (Negotiation)	Bangladesh Climate Change Trust Fund, Bangladesh
Mr. Doeun Dara	Technical Officer	Climate Change Department, Ministry of Environment, Cambodia
Mr. Sokhim Pich	Technical Officer	Department of Climate Change, Ministry of Environment, Cambodia
Dr. Chanakod Chasidpon	Plan and Policy Analyst	National Economic and Social Development Board, Thailand
Ms. Kerdankaew Sureeporn	Environmentalist	Natural Resources and Environmental Policy and Planning Office, Thailand
Mr. Anand Dhakal	Joint Secretary	Corporation Coordination Division, Ministry of Finance, Nepal
Ms. Nita Pokharel	Planning Officer	National Planning Commission, Nepal
Dr. Nurun Nahar	Senior Assistant Chief	Programming Division, Planning Commission, Bangladesh
Ms. Sohara Mehroz Shachi	Programme Associate	UNDP, Bangladesh
Mr. Saqib Huq	Visiting Researcher	ICCCAD, Bangladesh
Mr. Yousuf Mahid	Coordinator	ICCCAD, Bangladesh

The Climate Finance Short Course was a five-day training programme designed for government officials, including those from Ministries of Finance, Planning and Environment. The course objective was to strengthen government capacity to manage climate finance more efficiently. Participants were provided with training in how to access, mobilise and deliver international and national climate finance. The course was delivered by the International Institute for Environment and Development (IIED), the International Centre for Climate Change and Development (ICCCAD), the United Nations Development Program (UNDP) and the United Nations Institute for Training and Research (UNITAR). It was sponsored by the Department of International Development (DFID) and the Swedish Government. It took place at Hotel Nascent Gardenia Baridhara, in Dhaka, Bangladesh, from January 31 to February 4, 2016.



## Event Materials

## Climate Change

*Keywords:*  
Climate Finance, Training,  
Capacity Building



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