



ONEWORLD'S APPROACH TO CLIMATE FINANCE

OneWorld's knowledge and practice in the field of climate finance has been built on in-country and transboundary experience and analysis since 2009. We continuously enhance our knowledge base to establish what works – and what doesn't – in identifying climate finance solutions that dovetail effectively with development finance and national priorities.

Building resilience in countries and regions that face multiple development challenges requires innovative financial solutions. These include:

- building countries' capacity to absorb and use global climate finance effectively
- blending external climate finance with domestic and other resources
- building resilience-aligned partnerships with the private sector, cooperative financial institutions, and development banks.
- unlocking accessibility, by structuring concessional finance to respond to local contexts.

— ONEWORLD SUSTAINABLE INVESTMENTS —

– a fully African-owned and -operated sustainable development consultancy, was established in South Africa in 2001. We focus on evidence-led adaptive development and resilience building, in the context of a changing climate and resource constraints. Facilitating and capacitating cooperative governance, while integrating the central strands of development and stakeholder partnerships, are central to our approach. OneWorld has cultivated strong relationships with the public and private sectors to build resilience and to accelerate the pace of change.

With our focus on the science-policy-finance interface, OneWorld has developed skills and experience in translating the overwhelming evidence base of climate change and impact into realistic policy and institutional arrangements across four areas of expertise:
Water Governance ■ Climate-Smart Finance ■ Climate & Development Futures ■ Inclusive Green Growth.

BOX 1: OneWorld's work with the Pilot Program for Climate Resilience (PPCR)

OneWorld has carried out several projects under the PPCR. This World Bank-funded, US\$1.2 billion programme supports developing countries in their efforts to build climate resilience. In 2013, OneWorld delivered an assessment of climate-resilient livelihood options in drought-prone areas in Mozambique, and more recently completed three Risk & Vulnerability assessments in Zambia, which aimed at identifying and mapping the most vulnerable communities, livelihoods and/or sectors in various regions. Thereafter, the team worked with stakeholders and community members

to target and prioritise the most useful interventions, thus enabling effective deployment of climate finance.

In addition, OneWorld was contracted to provide a global learning and knowledge-sharing platform for the PPCR, in 2017. In developing various knowledge products, through a process of co-creation with the global PPCR Community of Practice, OneWorld has consolidated important findings on the accessibility and applicability of climate finance, particularly at a grass-roots level.

OneWorld's work in climate finance spans the following areas:

- Making the global climate finance architecture accessible to policy makers;
- Aligning climate investments with national development priorities;
- Developing climate and development project pipelines and packaging these for investors;
- Strengthening capacity and cooperative institutional and governance arrangements;
- Assessing opportunities and systems for blending financial resources;
- Analysing feasible mechanisms for financing cross-sectoral and transboundary initiatives;
- Aligning climate finance expenditure and reporting with national public finance systems.



ABSORPTIVE CAPACITY IN AFRICA

The needs of developing countries for adaptation finance are particularly high compared to mitigation funding requirements, yet the capital required for adaptation investment has not been forthcoming at the desired rate – whether from national coffers or global climate finance

resources. Moreover, the private sector is only beginning to recognise the optimal value in investing in adaptation.

OneWorld's UNDP-funded project, **Enhancing Readiness for Climate Finance: Experiences from Eastern and Southern Africa (2014)**, has since highlighted vast improvements in African access to the Global Environmental Fund (GEF), with many countries accessing 95% of their GEF allocations. Nonetheless, absorptive capacity remains low, with countries frequently asking for more than they can effectively spend or deliver, thereby reducing credibility and diluting their attractiveness to investors. The capacity to develop robust project pipelines that effectively meet the criteria of emerging funds is a major barrier that OneWorld has identified.



BARRIERS TO ACCESSING CLIMATE FINANCE

Another significant and recurring barrier for developing countries is a lack of transparency, characterised by inadequate monitoring and evaluation (M&E) and climate finance tracking systems. This ongoing challenge is evident in most countries that OneWorld has worked with; even countries with a seemingly advanced state of climate finance readiness, such as Bangladesh (see Box 2).

BOX 2: Evaluating climate finance opportunities for the DANIDA-funded Bangladesh Country Programme

OneWorld evaluated the ability of Bangladeshi government institutions to effectively absorb and deliver climate finance as part of the overall development support to the Government of Bangladesh from the Danish Government in 2015. The support programme's analytical framework required an evaluation of:

- In-country institutional arrangements and governance structures and their effectiveness, including the two climate funds established in Bangladesh;
- The country's history of accessing and delivering bilateral and global climate funds, as well as nationally allocated finance;
- Public finance and accounting systems and facilities available to report on climate and development expenditure;
- Monitoring and Evaluation Systems across institutions and structures;

- The policy and regulatory framework and how this framework aligns with national development priorities given the country's particular vulnerability to climate change and extreme events.

The performance of sophisticated structures, such as the two climate funds, which attracted large sums of international and national finance, has led to a loss of credibility within government. Effective Monitoring and Evaluation was stymied in both the World Bank-administered Bangladesh Climate Change Resilience Fund (BCCRF) and the Bangladesh Climate Change Trust (BCCT). Consequently, the World Bank withdrew from the former fund.

The case of Bangladesh shows that the ability to transparently monitor and evaluate expenditure and effective delivery on projects is a critical condition for success, as is transparent accounting systems.

BOX 3: Strengthening Africa's common position on climate finance

Since 2009, OneWorld has supported the AGN on key UNFCCC negotiating issues, particularly climate finance. OneWorld provides strategic, technical and logistical support to the Group through workshop facilitation, backstopping of AGN lead coordinators on climate finance, adaptation and the emerging climate agreement and strategic advice to the AGN Chair. This includes developing and disseminating ongoing technical analysis, papers and policy briefs, mainly on key climate finance issues such as:

- Form and structure of the Green Climate Fund;
- Long term sources of climate finance;
- Allocations of climate finance between adaptation and mitigation;

- Negotiated instruments and processes such as MRV, National Adaptation Plans and National Mitigation Plans (NAPs and NAMAs) and Nationally Determined Contributions;
- Advancing the core elements of an acceptable climate finance 'deal'; predictable, adequate, accessible and additional climate finance;
- Marrying global policy arguments with domestic needs and delivery.

See OneWorld CEO, Belynda Petrie's policy brief: *Advancing Africa's Position on Global Climate Finance* at: <http://www.saiaa.org.za/policy-briefings/844-advancing-africa-s-position-on-global-climate-finance/file> published by the SA Institute of International Affairs (SAIIA).

These issues of transparency and evaluation are high on the global climate negotiations agenda. Developed and developing countries alike have agreed to implementation of Measuring, Reporting and Verification (MRV) of climate finance so as to ensure rigour in tracking expenditure and evaluating impact and progress. Since 2009, OneWorld has worked closely with the African Group of Negotiators (AGN) in developing the continental and member country position on these and other climate finance issues (see Box 3).



FINANCING TRANSBOUNDARY ADAPTATION

OneWorld's focus on transboundary adaptation in many of Africa's shared river basins routinely highlights the need for adequate financing solutions in difficult geopolitical contexts. OneWorld has developed approaches for sensitising and building capacity of transboundary and regional institutions, working with River Basin Organisations (RBOs) and continental entities and networks to build their capacity on financing climate change response strategies (see Box 4).



KEY INSIGHTS TO IMPROVE CLIMATE FINANCE SOLUTIONS

In-depth country analysis demonstrates that accessing national and international financial resources for climate change is a combined function of a country's financial, economic, political and social systems (see Box 5 overleaf). Developing countries are typically characterised by stretched fiscal resources, debilitating socio-economic challenges, and inadequate capacity. This makes it difficult to plan for, access, mobilise and track the use of resources against a pipeline of scalable, programmatic and justifiable resilience-building projects.

Although priorities and challenges are often similar between countries, there are neither ready-made prescriptions for accessing climate finance, nor a one-size-fits-all model to ensure developing countries are climate finance ready. Climate finance should be designed in accordance with specific country and regional contexts so as to prepare

BOX 4: Developing transboundary and regional solutions to climate finance

OneWorld has been developing transboundary climate finance solutions through a capacity building- approach since 2009. We have advised the African Ministers' Council on Water (AMCOW) on its climate finance policy and continue to advise the Global Water Partnership (GWP) and regional partner institutions on the implementation of the African and Asian Water, Climate and Development Programme (WACDEP), founded in 2010. OneWorld conducted capacity building workshops and facilitated the regional dialogue on climate finance for the Southern African Development Community (SADC) Water, Food, and Natural Resources divisions; AMCOW; River Basin Organisations (RBOs), such as the Limpopo Watercourse Commission, the Zambezi Watercourse Commission, the Nile Basin Initiative (NBI); and global networks, such as GWP Global, South East Asia and Africa partnerships.

As part of OneWorld's work on the **Resilience in the Limpopo River Basin (RESILIM)** Program (2013-2017), OneWorld, developed an Investment Strategy for building resilience in the Basin. The Strategy outlines national and transboundary

investments to increase water flows, as an important climate adaptation benefit; and designed a climate investment platform for climate finance leveraging. The strategy is available here: <http://oneworldgroup.co.za/wp-content/uploads/2018/02/RESILIM-Investment-Strategy.pdf>

In late 2012, OneWorld, through funding from USAID, began supporting LIMCOM and other Limpopo River Basin stakeholders in developing climate resilience-building strategies and financing solutions. OneWorld recently completed an Investment Strategy for resilience-building in the Limpopo, aimed at mobilising resources in order to secure the river basin against climate change, and subsequently embarked on a process of mobilising and leveraging financial resources for the Limpopo. This process necessitates the development of appropriate governance structures and institutional arrangements to enable access to climate finance. Our delivery is based on a capacity-development approach and underpinned by participatory reviews and stakeholder analysis.



BOX 5: National Climate Finance Readiness – Lessons from Africa and Asia

The UNDP-funded “Enhancing Readiness for Climate Finance” project (2013-2014) examined the successes and challenges to accessing and delivering climate finance in a sample of 11 African and Asian countries. The work included an in-depth desktop analysis of climate change and public finance management policies, strategies, and frameworks within each country. This was complemented by a participatory and stakeholder-inclusive analysis and in-country fieldwork, face-to-face interviews and roundtable discussions with key experts and stakeholders from lead sectors, civil society, and NGOs.

An important outcome of this study was the development of a set of indicators for assessing and gauging a country’s climate finance readiness. These indicators were developed along the four pillars of climate finance readiness (planning, accessing, delivery and MRV) established by the UNDP Climate Finance Readiness Framework and were informed by OneWorld’s in-country and benchmark research.

The study culminated in a set of key recommendations and a policy brief for addressing the critical challenges facing developing countries’ access to global climate finance. Four key conditions for success are:

- Cross-cutting, politically-mandated coordination;
- Climate and development priorities aligned with investor requirements (including the private sector) and national government development strategies and policies;
- Incentivised engagement of all key resources and stakeholders; and,
- Transparent climate finance expenditure within a fiscal system that stimulates domestic investment.

Moreover, the study includes an in-depth assessment on the role of the private sector in climate finance – another critical question facing the global climate change decision-making community.

national institutions to best respond, plan, and use resources available. The following key lessons can help countries and development partners to achieve this aim.

- **Climate finance should be firmly on the development agenda.** Climate funding flows and climate finance readiness should become a prominent feature of development discussions as countries grapple with ways to finance their responses to climate change. National resources should be blended with international climate finance.
- **Being climate finance ready is a moving target.** Countries will do well to evaluate their readiness status regularly.

- **The private sector has crucial resources – financial, technical and human – that are critical to tackling climate change challenges.** Policy incentives are needed to leverage private sector partnerships and resources. Additionally, governments accessing climate funds can generate co-financing opportunities for the private sector that drive benefits and multiply the original concessionary amount.
- **Cooperative governance is a critical success factor and capacitating this is a priority.**
- **Coherent, aligned investment planning is essential** for adequate and predictable resource mobilisation.
- **Public finance systems need to be adapted** to integrate climate finance, from national or international resources.