



Tracking climate finance, EU financial instruments and lessons learned

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Our Menu for Today



1. What information is **most needed by policy makers** and funders to make their decisions about allocation and follow-up tracking of climate finance?
2. What are practical strategies to evaluate effectiveness of funded initiatives, balancing robustness to meet the needs of funders, yet tailored to the local context, and practical with limited resources?
3. What is the recent progress in methodologies of evaluating **public** and private **finance**?
4. What are the current and future evaluation trends?
5. What tools have been found as the **most effective at helping national policy-makers** determine which policy tools deliver in the most efficient and cost-effective way for local circumstances?
6. How successful have climate finance programmes been so far?
7. Which types of interventions will further promote market transformation once funding cycle is complete?
8. What kind of methodologies can we learn from other disciplines for evaluating climate finance?



I am going to say a few words about:

- Q 3&4: What is the recent progress in methodologies of evaluating **public** and private **finance**? What are the current and future evaluation trends?
- Q 6: How successful have climate finance programmes been so far?

In our discussion I would hope in particular to contribute additionally to:

- Q 1: What information is **most needed by policy makers** and funders to make their decisions about allocation and follow-up tracking of climate finance?
- Q 5: What tools have been found as the **most effective at helping national policy-makers** determine which policy tools deliver in the most efficient and cost-effective way for local circumstances?



I. EU approach to supporting climate action in the next multi-annual financial framework (MFF) of the EU budget for 2014-2020

- Mainstreaming
- Tracking

II. Our financial Instruments and programmes "that work": a few examples

III. Some Lessons Learned

Supporting climate action in the EU budget for 2014-2020

1.1 Mainstreaming climate action

29 June 2011 Commission Communication on a Multiannual Financial Framework (MFF) for 2014-2020: Climate is one of the five headline targets of Europe 2020 strategy– how to reflect this in the budget?

- “Mainstreaming”: Climate action objectives “to be reflected in all EU main instruments to ensure that they contribute to building a low-carbon, resource efficient and climate resilient economy”.
- Objective to increase the proportion of climate related expenditure to at least 20% in the next EU budget (2014-2020) with contributions from different policies (around €180 billion);
- Approach endorsed by the European Council on 8 February 2013 and confirmed by the European Parliament in its resolution of 13 March 2013.

Supporting climate action in the EU budget for 2014-2020

1.2 Tracking system for climate expenditure

Common tracking system: Share of EU budget supporting climate action;

- Approach based on OECD methodology (“Rio markers”) already used by European Commission for international cooperation spending instruments;
- All expenditure to be marked in one of the three categories: climate related only (counted as 100%); significantly climate related (counted as 40%); and not climate related (0%);
- Methodology integrated in the EC budgetary procedures: link between climate related objectives and outputs and indicators;
- Applied to both shared managed (Member States reporting obligations) and centrally managed (European Commission reporting obligations) EU's policies and instruments;
- Reporting both ex-ante (indicative budget estimates) and ex-post (spending).

Supporting climate action in the EU budget for 2014-2020

1.2 Tracking system for climate expenditure

Climate tracking in EU Budget 2014 - Overview table: Presentation of all contributing programmes and their relevant specific objectives/outputs with corresponding amounts

5.5. Annex V — Climate tracking and biodiversity
5.5.1. Climate action

(Extract)

Table 1: Financing mainstreaming of climate action

(Commitment appropriations in EUR million, rounded figures at current prices)

Programme	Objectives [Outputs]	DB 2014
HEADING 1a — COMPETITIVENESS FOR GROWTH AND JOBS		
Horizon 2020 – The Framework Programme for Research and Innovation	Excellent science – Future and Emerging Technologies – to foster radically new technologies by exploring novel and high-risk ideas building on scientific foundations	96,4
	Excellent science – Research infrastructures – to endow Europe with world-class research infrastructures which are accessible to all researchers in Europe and beyond and fully exploit their potential for scientific advance and innovation	107,4
	Industrial leadership – To boost Europe's industrial leadership through research, technological development, demonstration and innovation in the following enabling and industrial technologies: information and communication technologies; nanotechnologies; advanced materials; biotechnology; advanced manufacturing and processing; and, space	594,0
	Total	2 251,8
Total Climate Change		17 631,6
Total EU Budget (Commission – Section III)		138 879,9
Climate Change / EU Budget		12,7 %

Financial Instruments

- Consider the diversity (i.e. adequacy) and complexity of instruments when discussing evaluation!

Overview EU Financial Instruments

Centrally managed by COM (Financial Regulation)

Research,
Development
Innovation

Horizon 2020
Equity and Risk Sharing Instruments
EUR 3.5bn

Growth, Jobs and
Social Cohesion

Competitiveness &
SME (COSME)
Equity & guarantees
EUR 1.4bn

Creative Europe
Guarantee Facility
EUR 210m

Social Change
& Innovation
Micro-finance *EUR 192m*

Erasmus for all
Guarantee Facility
EUR 881m

Infrastructure

Connecting Europe Facility (CEF)
Risk sharing (e.g. project bonds) and equity
instruments
Overall budget *EUR 33.2bn*
Share of financial instruments: up to 10%

Climate and
environment
actions

LIFE : Overall budget *EUR 3.5bn (2014-2020)*
Share of financial instruments: *EUR 210m (2014-2017)*

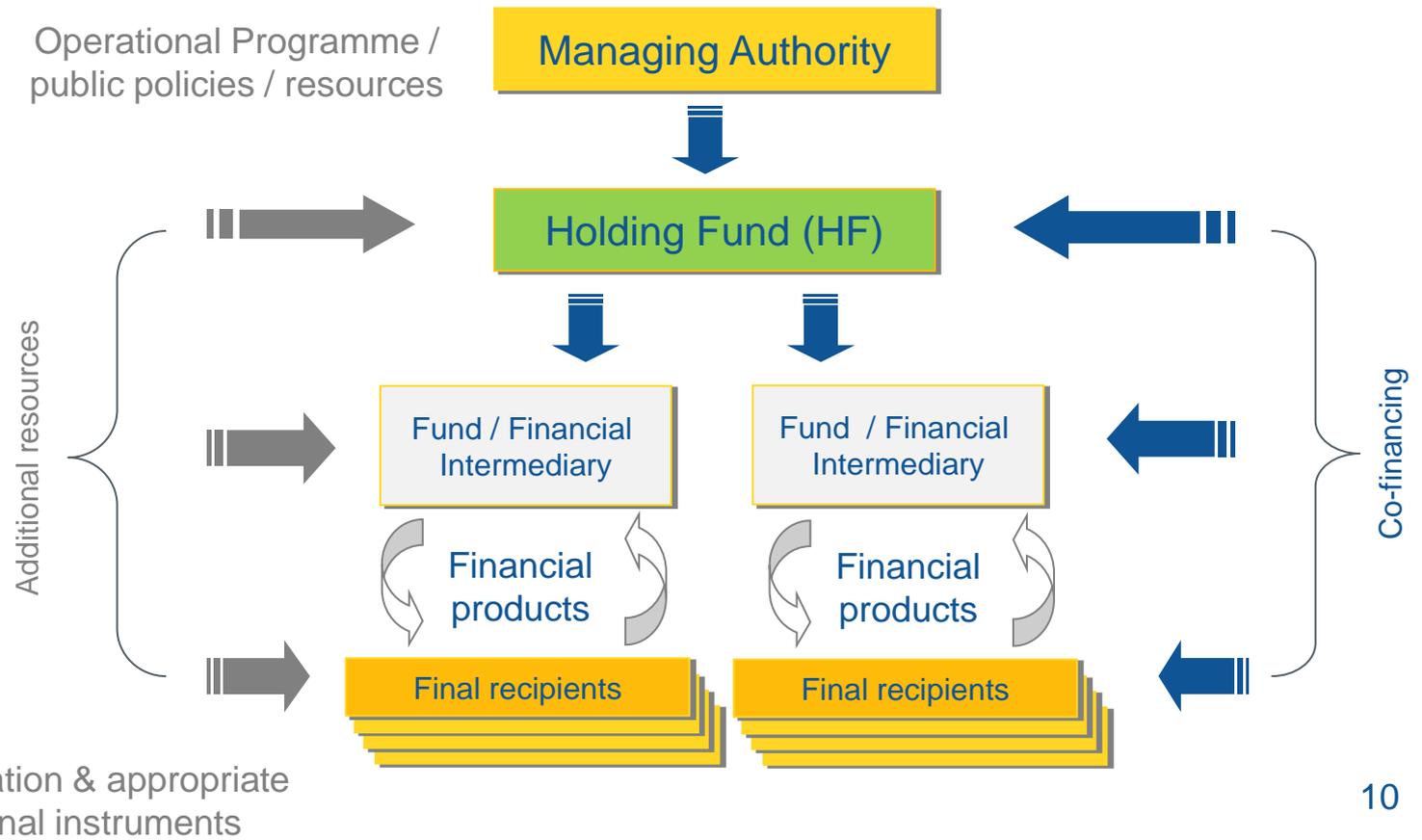
Shared Management with MS (Common Provisions Regulation)

Instruments under Structural and Cohesion Funds

- ➔ EU level (central management)
- ➔ National/regional instruments (shared management)
 - Off-the shelf FIs
 - Tailor made FIs

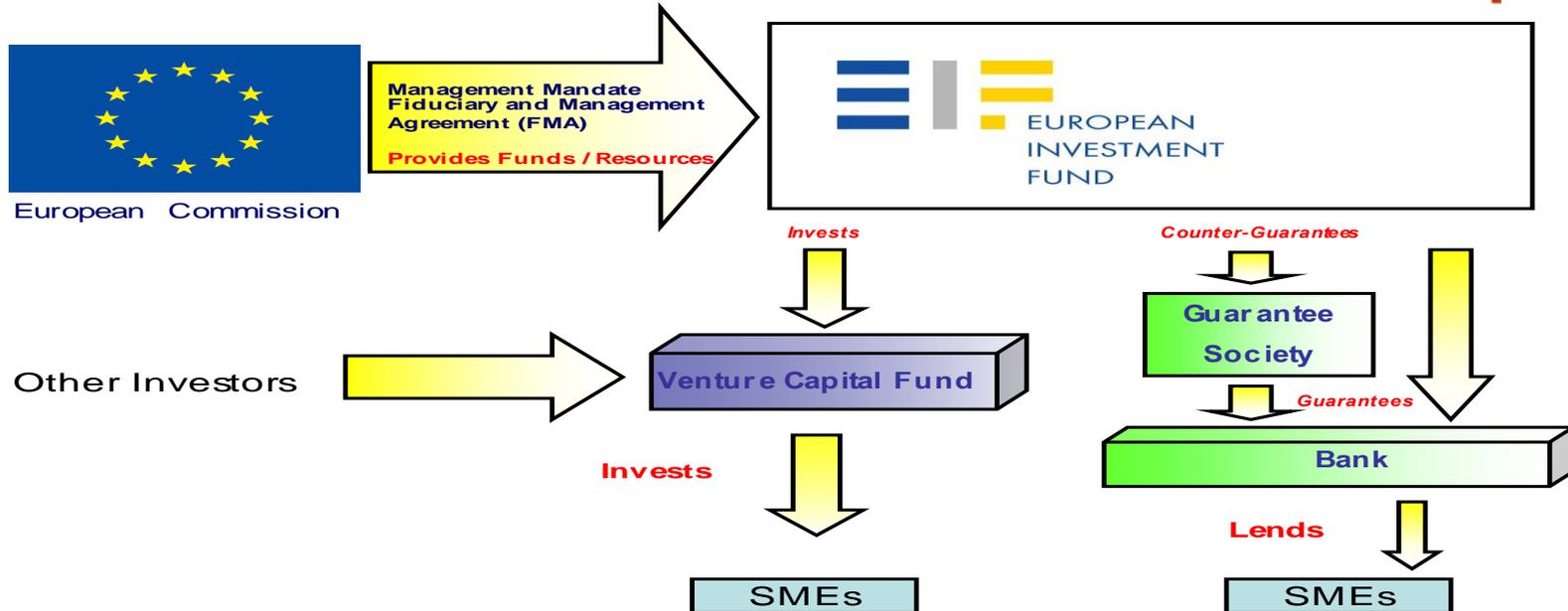
*2014-2020:
Increase use of FI*

Delivery mechanism for EU financial Instruments: example structural funds

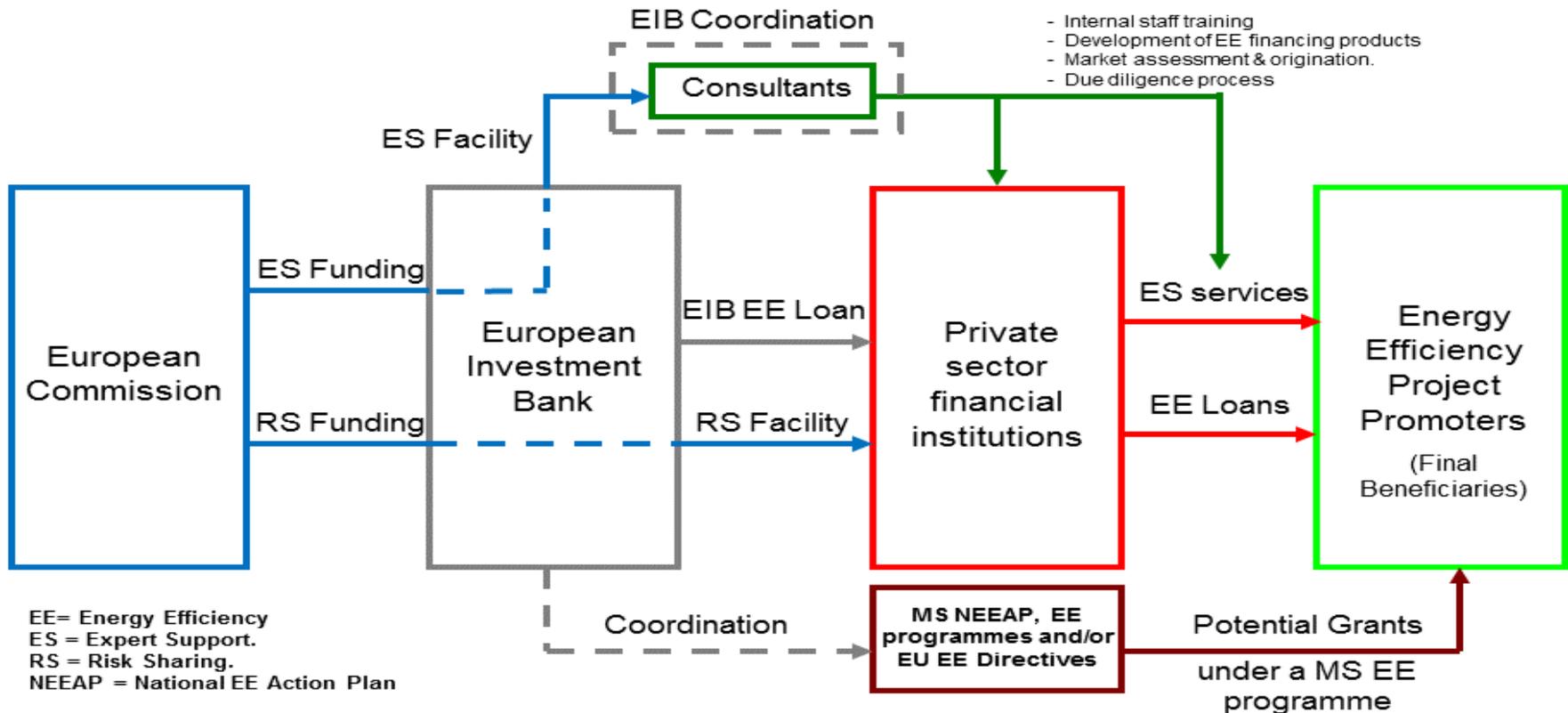


Delivery mechanism for EU financial Instruments: a cascade of actors

EU Financial Instruments for SMEs - example



PF4EE : Structure





Risk-sharing with financial intermediaries

SME Guarantee Facility under CIP and predecessor programmes

1998-2006: EUR 436m of EU budget generated EUR 27.5bn of lending to SMEs

2007-2013: So far approx. EUR 407m of EU budget generated EUR 12.5bn of lending to SMEs, volumes increasing fast.

Co-investments with private and public investors

High Growth and Innovative SME Facility under CIP and predecessor programmes

1998-2006: EUR 309m of EU resources generated EUR 1.9bn of total investment

2007-2013: So far, EUR 417m of EU resources generated EUR 2.2bn of total investment volume available, amounts growing fast.

Risk-sharing with the EIB Group and financial intermediaries

Risk-Sharing Finance Facility (RSFF)

2007-2013: EUR 2bn of EU and EIB resources expected to generate over EUR 10bn of lending to RDI projects. By end 2012 EUR 11.8 bn of lending already approved

Dedicated RSI Facility for SMEs implemented through the EIF based on an EU contribution of EUR 270m.

Combination of risk-sharing and co-investments

European Progress Microfinance Facility (EPMF)

2010-... : By 2020, the EU contribution of EUR 100m is expected to have generated EUR 500m of micro-loans.

[Besides these examples above, a wide range of instruments is being used successfully in the context of EU development co-operation]



- Importance of **capitalising on best practices** and more consistency in governance, supervision and control of future financial instruments.
- Need to **strike the right balance** between the EU's legitimate reporting and supervision needs and attractiveness for market participants.
- Need for **smart design**:
 - Addressing market needs;
 - Alignment of interest with intermediaries, rather than multiplication of control requirements, integrated assurance building;
 - Market distortions to be reduced to a necessary minimum.



Thank you

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Additional Slides

EU support to developing countries in addressing climate change

Mobilization of climate finance after 2012:

- €7.34 billion 'fast start finance' provided to developing countries for 2010-2012 (€7.2 billion pledged);
- Doha announcements (2012): €5.5 billion from EU and a number of Member States of voluntary climate finance contributions to developing countries; on track to deliver this amount in 2013.
- Warsaw announcements (2013)
 - in 2014 at least the same level of climate finance contributions to developing countries as in 2013.
 - EU's development policy to contribute €1.7 billion for climate spending in developing countries in 2014-2015;
 - EU Member States have contributed well over half of a US \$ 100 million to the Adaptation Fund.

Diverse delivery channels (some examples of working together on climate finance and development assistance):

- ***public climate finance*** supporting the most vulnerable developing countries:
 - *Global Climate Change Alliance (GCCA), EU initiative supporting in particular Least Developed Countries and Small Island Developing States: additional €47 million in 2013; since 2008 supporting more than 45 national and regional programmes across 35 countries and 8 regions and sub regions, with a total budget of close to €300 million.*
- ***leveraging climate finance***
 - *EU Blending Facilities: since 2007 about €480 million in public grants for more than 200 climate-relevant initiatives; total project financing of more than €14 billion benefiting both low and middle income countries.*
- ***financial institutions in the EU*** (AFD, KfW, EIB) have set themselves operational targets for climate finance as a proportion of their overall investment portfolio (ranging from 50% to 25%, respectively)
 - *in 2013, the European Investment Bank is expected to meet its target of allocating 25% of its planned total lending of €68 billion to climate action. The EIB currently provides between €1.5bn and €2bn per year of climate finance for investments outside the EU.*

From 2014 onwards

Continue to use a diversity of instruments and integrate climate change into EU development aid (some examples);

- under the Development Cooperation Instrument (DCI), a specific programme for Public Goods and Challenges to allocate significant funding for climate change and environmental objectives.
- climate change as a focal area and/or a cross-cutting issue.
- climate compatible development (i.e. energy and energy efficiency, green and inclusive economic development, increased resilience).
- ensuring aid effectiveness: ownership (supporting developing countries' agendas), alignment (using country systems – integration in national budgeting and planning, and budget support).
- continued and scaled-up financial support to adaptation action through the Global Climate Change Alliance.



Brochure on European Union climate funding for developing countries in 2013 (provisional update)

http://ec.europa.eu/clima/events/0086/funding_en.pdf

Global Climate Change Alliance

<http://www.gcca.eu/>

Submission on Strategies and Approaches of the EU and its Member States for mobilising scale-up climate finance towards the developed countries' goal to jointly mobilise USD 100 billion

http://unfccc.int/files/documentation/submissions_from_parties/application/pdf/cop_suf_eu_02092013.pdf

Fast-start finance by the EU and its Member States:

http://ec.europa.eu/clima/policies/finance/international/faststart/index_en.htm

Thank you!