

Lessons in Multilateral Effectiveness: *Pulling Together – The Multilateral Response to Climate Change*

UNEP Committee of Permanent Representatives
Subcommittee meeting



Study Overview - 8 July 2021

AGENDA

Purpose and scope of the study

- Key findings
- Lessons and opportunities for accelerating action
- Next steps

Purpose of the Study

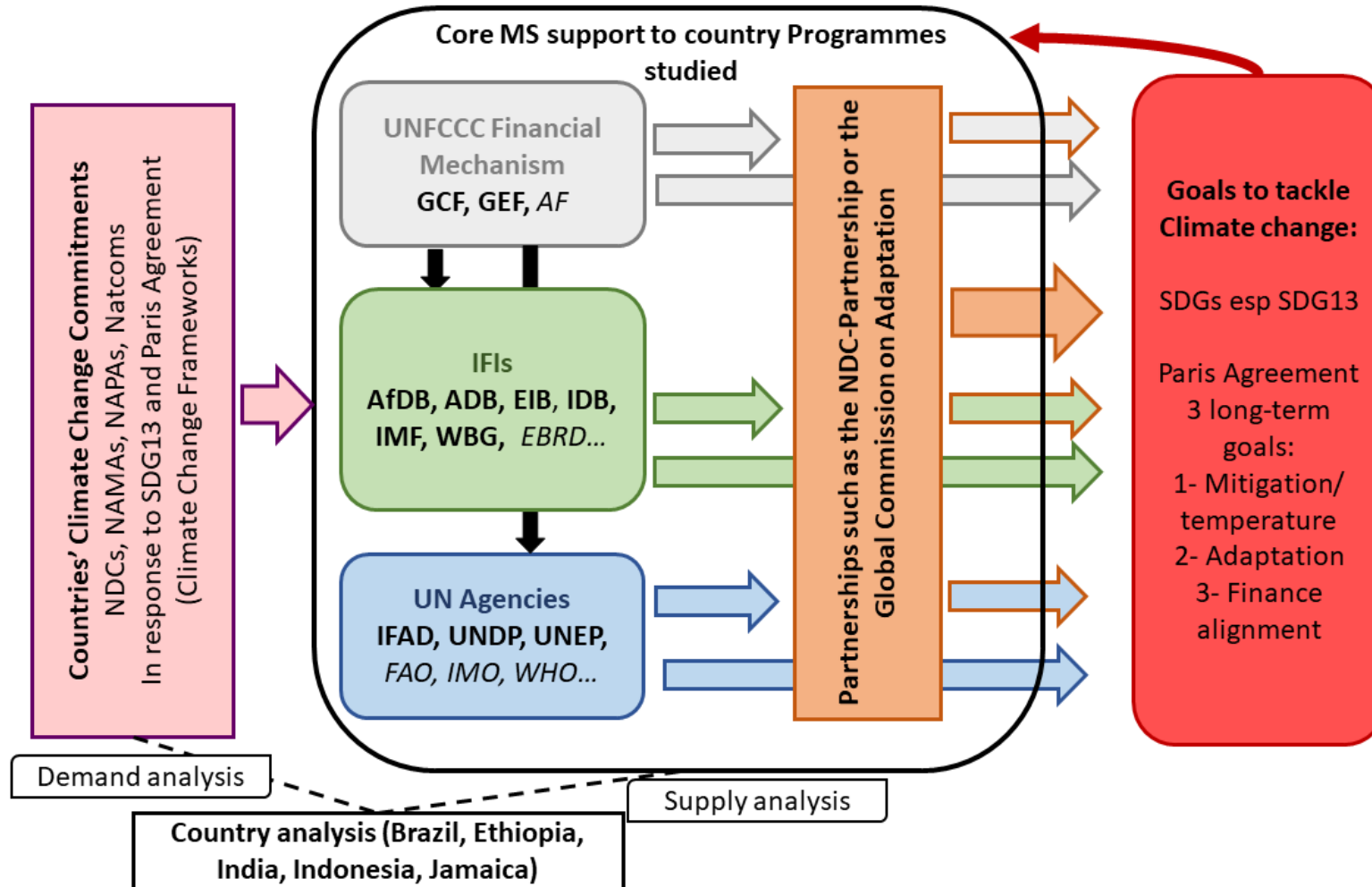
●● Key objectives

- Review how selected Multilateral Organisations (MOs) are helping countries respond to climate change
- Review how MOs are working together and how the Multilateral System (MS) is responding to climate change
- Propose key lessons and policy options for accelerating climate action to inform preparations for COP 26

●● Observations and limitations

- This is an analytical study and NOT a results-based evaluation of MOs or the MS. The breadth of evidence was limited by time and resource constraints
- While views are from apex participants, the functioning of the MS is not directly observable but rather inferred

Scope and Focus of the Study



Multilateral Organisations Selected

Type	Name of Organization
International Financial Institution	African Development Bank (AfDB)
International Financial Institution	Asian Development Bank (ADB)
International Financial Institution	European Investment Bank (EIB)
International Financial Institution	Inter-American Development Bank (IaDB)
International Financial Institution	International Monetary Fund (IMF)
International Financial Institution	World Bank Group (WBG) including IFC
Vertical Fund	Global Environment Facility (GEF)
Vertical Fund	Green Climate Fund (GCF)
UN Fund	International Fund for Agricultural Development (IFAD)
UN Agency	United Nations Development Program (UNDP)
UN Agency	United Nations Environment Program (UNEP)

Countries Selected

Country	Characteristics
Brazil	High emitter of GHGs due to deforestation, fires and loss of carbon sinks – has global impacts. High vulnerability to droughts, flooding and sea level rise.
Ethiopia	Low-income country with extreme vulnerability to droughts, floods and extreme heat. Strong alignment of domestic development and climate change agendas.
India	3 rd largest GHG emitter due to heavy coal dependence, but accelerating use of renewables. High vulnerability to droughts, flooding and sea level rise.
Indonesia	Major GHG emissions source due to fossil fuel use, fires and deforestation. High vulnerability to tropical storms and sea level rise.
Jamaica	SIDS highly susceptible to hurricanes and impacts of ocean warming. High import dependence on fossil fuels with renewables substitution possibilities.

Sources and Data Collection

Document and literature review (starting points):

- National documents: National communications, NDCs, CC plans, NAMAs, NAPAs, country and sector strategies
- MO documents: CC strategies, internal evaluations, country programmes, selected sector policies/strategies (e.g., energy; urban; agriculture/forestry)
- External documents: Evaluations of MO CC strategies, finance & implementation

80+ Interviewees:

Organisation	Focus of Questions
MOs	Directed questions to staff members, including climate change coordinators, relevant global practice specialists and portfolio managers.
UNFCC SBSTA	Support for climate adaptation and mitigation, through finance, partnerships, outreach, communications, research and other activities.
OECD stakeholders and MOPAN	Key questions that are most relevant in the run-up to COP 26. How to increase cooperation and effectiveness moving forward.
IDDRI, NDC-Partnership, WRI	How to increase cooperation and effectiveness moving forward.

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The selected MO's response shows many positive facets

Integrating climate action into strategies and programmes

- All the MOs have adopted goals consistent with the mandates of SDG 13 and the Paris Agreement
- Most have incorporated climate change explicitly into their development strategies, policies, and safeguards
- No MOs still support new investments in coal-powered energy and most will only support investments in gas under limited conditions
- All MOs are increasingly prioritising climate change action in their country strategies and there has been cooperation around large-scale programmes


Scaling up climate finance

- Since 2015, MOs have substantially increased the share of climate finance in their operations and the proportion dedicated to adaptation –mixed picture in 2020 due to COVID
- The largest dedicated climate funds – GEF, CIFs and GCF – have provided a key role in leveraging investment for the other MOs

Beyond financing: knowledge, capacity building, partnerships

- All MOs support and disseminate climate-related analysis and other knowledge products that can help build consensus for climate-friendly policy reforms
- All MOs support member countries in fulfilling their NDCs and broader Paris Agreement commitments with UNDP and GEF playing a prominent role

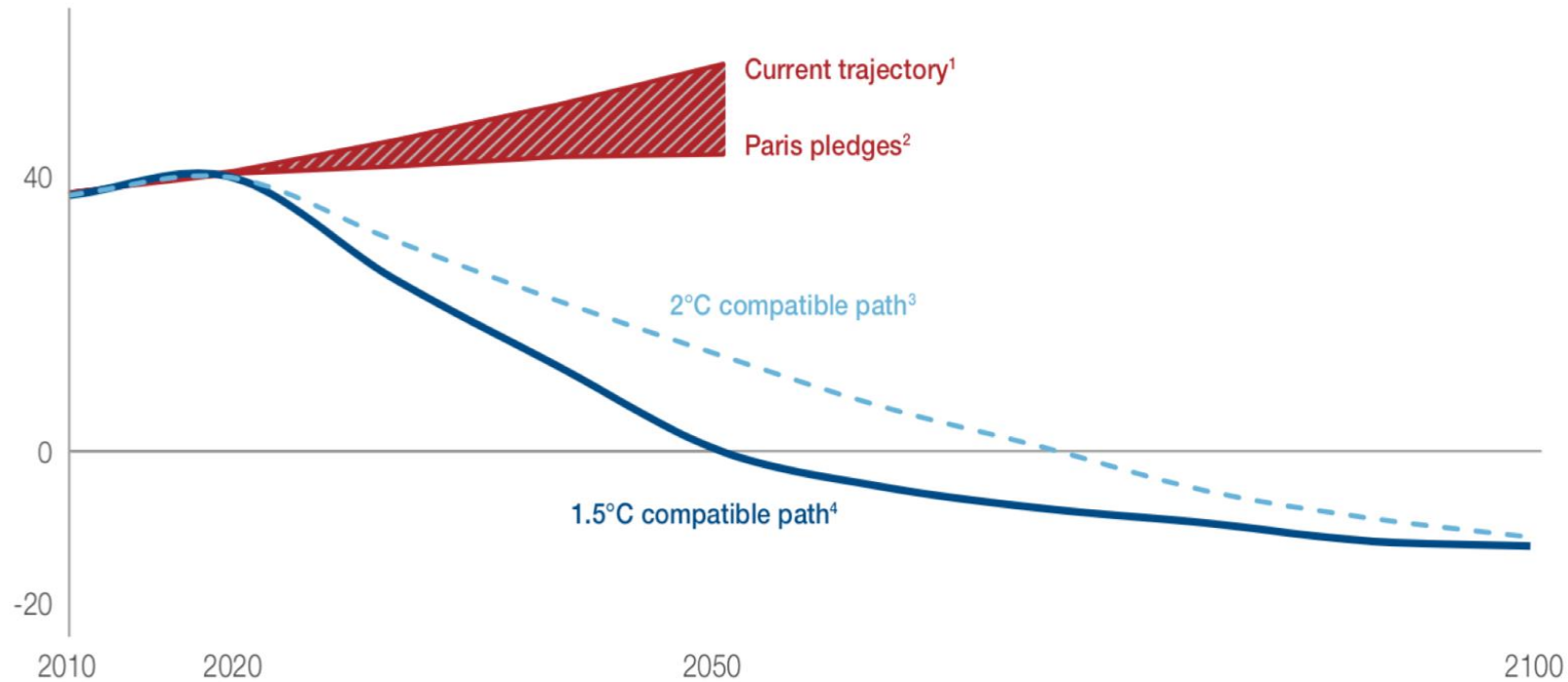
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Climate change is the defining challenge of our time

Global net CO₂ emissions pathways

Gt per year



1. Assumes CO₂ emissions grow from 2018 to 2050 at the same rate as the Current Policies Scenario in UNEP's *Emissions Gap Report 2019* (1.1% compound annual growth rate); 2. Assumes countries decarbonize beyond the same annual rate that was required to achieve their INDCs between 2020 and 2030; 3. Assumes a 25% reduction by 2030 and net zero by 2070; 4. Assumes a 45% reduction by 2030 and net zero by 2050.

Note: Other GHG emissions are also to be reduced by more than 50% in pathways limiting global warming to 1.5°C.

Sources: IPCC; UNEP, *Emissions Gap Report 2019*; BCG analysis

Lesson 1: Lack of “whole-of-government” NDCs and LTSs hinders progress on the climate change agenda

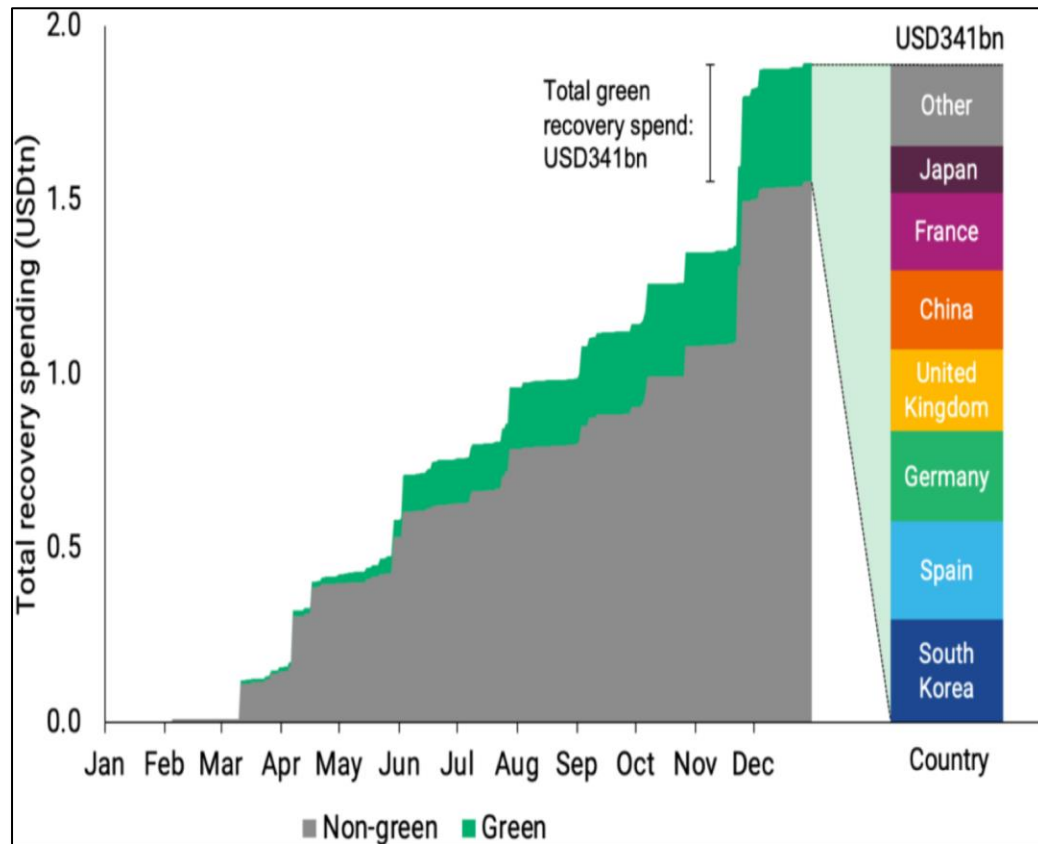
- NDCs without LTSs are short-sighted; NDCs are incremental steps along an LTS-defined pathway. Moreover adaptation requires a long-term perspective, including a “Plan B” (>2 degree rise)
- MOs and other parts of the MS need to focus on support for developing NDCs and LTSs that are integrated into broader country development strategies. The engagement of key sector ministries and ministries of finance and planning in this process is essential
- Country commitment at the central leadership level is vital. Where it is lacking, MOs should look for other entry points and use opportunities to remain engaged
- Recognising that MOs can only influence countries to a certain extent, there is scope for stronger engagement between MOs, NGOs and civil society at country level

Lesson 2: The focus on measuring climate finance may distract from thinking of climate as part of broader development

From	To
Translating NDC short-term oriented priorities into country operations	Programming according to long-term country strategies for low-carbon, resilient development
Focusing on MO climate finance targets that potentially trigger side effects such as “bean counting” behaviours and over-counting adaptation finance	Measuring results in terms of greater resilience or transition to carbon-neutral growth rather than measuring “inputs” (climate finance), and targeting MO support based on income level, GHG emission intensity and climate vulnerability
Fragmenting climate finance in limited-scale projects rather than systemic interventions, and using a limited number of financial instruments	Allocating public climate finance (including domestic resources) and MO resources to transformational projects/programmes with the greatest leverage of additional funds (including from the private sector), using a variety of financial instruments complemented by policy dialogue and strengthening enabling environments
Focusing adaptation finance on lower-risk areas, such as climate-proofing infrastructure, to the detriment of overall resilience	Authorising “Safeguard risky” financing to capture synergies with other areas e.g., biodiversity, pollution, water, sustainable urban development

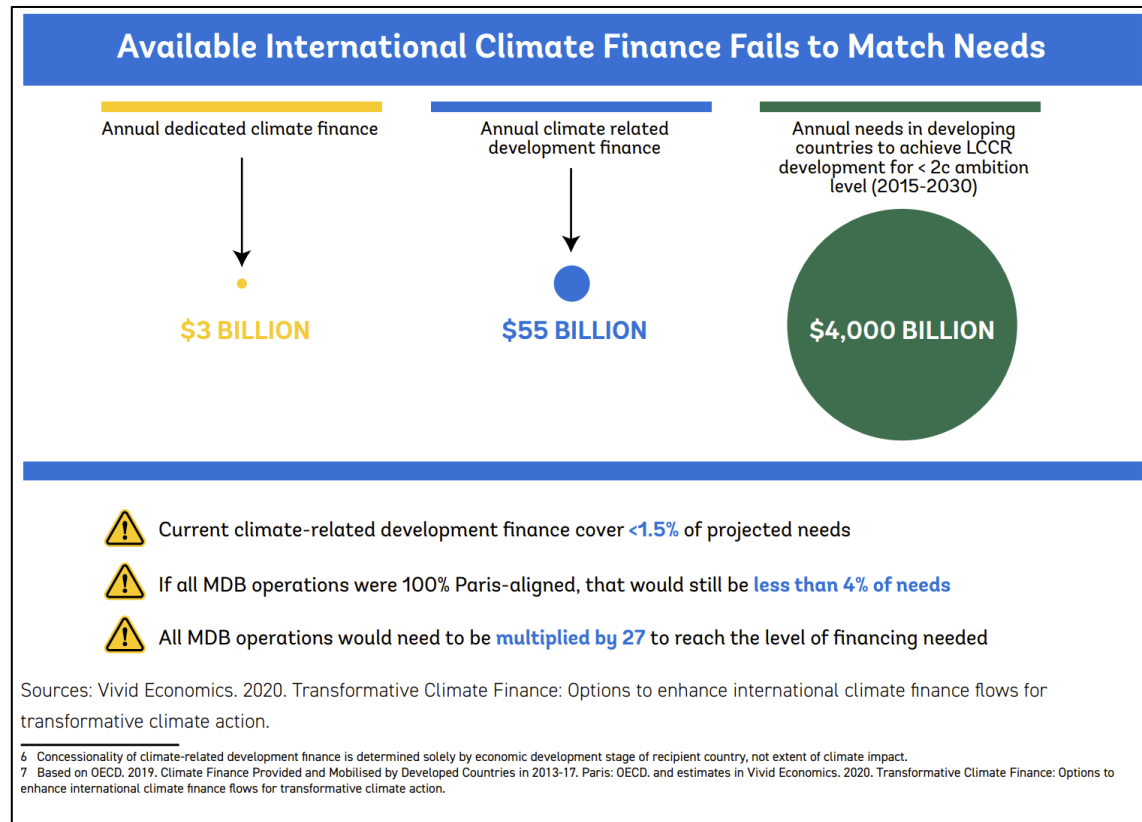
COVID-19 and “Building Back Better” has provoked a “schizophrenic” response

2020 Economic Recovery spending



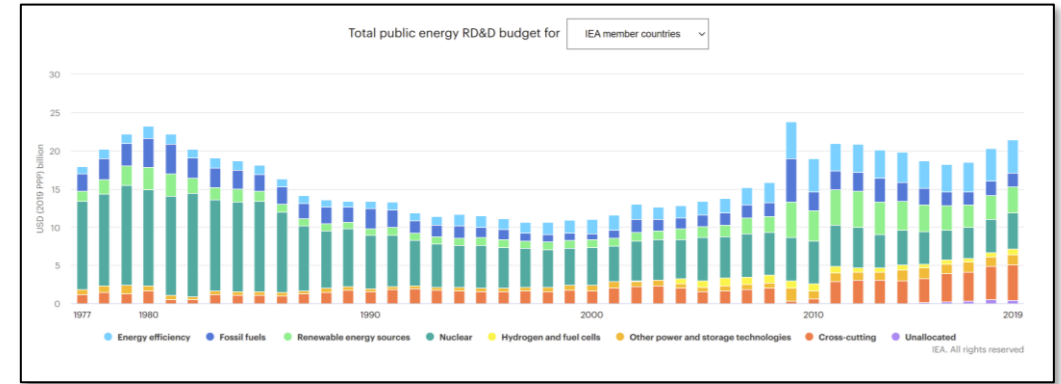
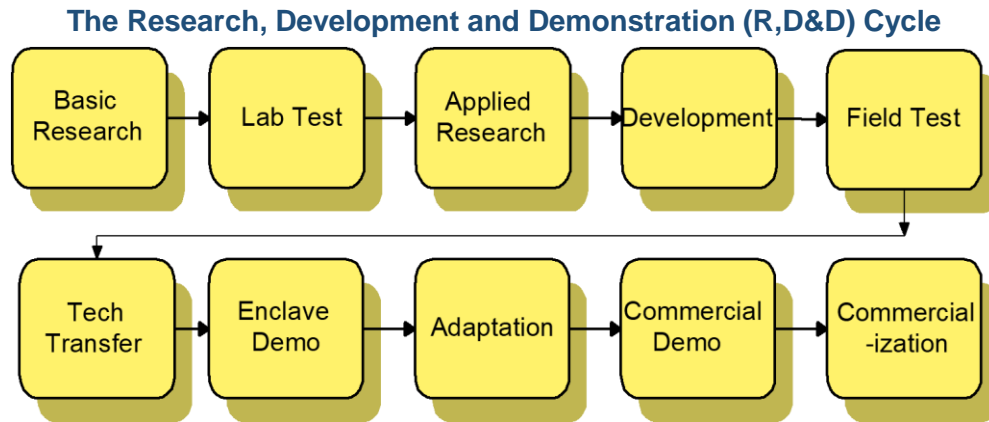
- Perhaps too early to judge degree of success, but initial commitments by countries are not encouraging from a green growth perspective
- 50 countries announced \$1.9 trillion in Recovery Plans in 2020. Only 18% was allocated to Green Spending, and only 2.5% to GHG emission-reducing investments
- It is unrealistic to expect MOs to reverse this situation in the short-run
- “We are being schizophrenic: on one hand we talk about building back better and the climate goals, and on the other hand what we want to restore is GDP and jobs and not climate”
– Interviewee

Lesson 3: The Paris goals cannot be achieved without a massive scale-up of private sector-led investment in climate change



- NDC/LTS formulation needs to engage more with the private sector to identify and help alleviate key constraints to up-scaling private investment in climate action
- Effective private sector investment at scale also requires improvements in the enabling environment that go beyond what is typically addressed in NDCs

Lesson 4: Transformational technology is key for moving towards a carbon neutral world, but the R&D required is outside the mandate of MOs



- Due to procurement policies, cost of technical due diligence and concerns about maintaining credit ratings, MOs focus on fully commercialized technologies
 - MOs under pressure to deliver results in the short term and maintain high disbursement ratios
 - MO risk tolerance and capacity to manage technological change not well adapted to R,D&D
 - Meanwhile, global energy R,D&D funding trends exhibit only modest growth
- ⇒ Mismatch of profiles and resources vs. technological acceleration needs a challenge for the MS

Lesson 5: Well-designed partnerships are important. Their coordination and consolidation is essential

- Country-driven coordination is key for harmonized, synergistic support from MOs
- Proliferation of partnerships and programmes promotes diversity of approaches and healthy competition, but creates a complex accountability environment and makes navigation by recipient countries difficult
- MOs provide support through many channels with relatively small individual pots of grant funding. Atomised and piecemeal resource allocation approaches may undermine achievement of critical masses and required transformative impact
- The GEF and the GCF are not mandated to play a strong coordination role among their accredited/ implementing entities. The CIF's country programming approach may hold promise
- Reaching a common definition among MS members of land use change (LUC) is a potential quick-win area

Lesson 6: Reducing support to fossil fuels brings challenges for transition that must be recognised

- MOs have sharply scaled down support for new fossil fuel power and policies have evolved, but trade-offs remain
- Energy transformation requires a major shift in pricing, regulation, competition, and investment climate. MO support to the required policy reform is especially important
- Investments in gas-fired power generation projects, liquefied natural gas (LNG) import facilities, and gas distribution represent an area of growing challenge
- MOs should provide greater clarity on the conditions under which they would support new midstream and downstream investment in gas. In the absence of a pathway for gas phase-out defined under an LTS, a number of criteria could be applied to limit consideration, on an “exceptional” basis, of natural gas investment activities

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Next steps

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- Online launch of Volume 1 of the report in July
- Online launch of Volume 2 (compendium of MO and Country analyses) in September
- High level event (ministers / heads of agencies) in preparation for October to foster joint reflections on accelerating climate action