GETTING IT TOGETHER

Institutional arrangements for coordination and stakeholder engagement in climate finance

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Key messages

- There is no single, perfect institutional arrangement to mobilise and deliver climate finance, and efforts to strengthen coordination around climate finance must contend with messy domestic landscapes, with new sets of policies needed for diverse sets of actors.
- Ministries of environment, finance and non-governmental actors, all have vital roles to play: the key is to create incentives and accountability for these institutions to work together.
- Institutional arrangements for climate finance lie on a continuum wherein they 'dock' international or external climate finance in the national system, or 'mainstream' climate considerations into core policy and associated investment decisions and financial frameworks. Different countries lie at different stages along this coordination continuum, and most countries exhibit characteristics of both of these simplified types.
- Operational coordination may be complex even when driven or mandated at the highest level of government.
- Changes in the structure of institutional arrangements do not necessarily change behaviour. It is the incentives for coordination that matter. Scale of finance available can shape these incentives, and determine whether the arrangements support 'docking' or 'mainstreaming' (or both).

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Table of contents

Acknowledgements	**ii**
Abbreviations	**2**
1 Introduction	**3**
2 Dynamics of institutional coordination: lessons from the literature	**4**
3 Institutional arrangements: key findings from the case-studies	**6**
4 Lessons learned: implications for ownership and ways forward	**15**
References	**19**
Annex I: Methodology for country case studies	**20**

Abbreviations

AF	Adaptation Fund
BAPPENAS	State Ministry of National Development Planning (Indonesia)
BIS	Department for Business, Innovation and Skills (UK)
CCFU	Climate Change Finance Unit (India)
CDM	Clean Development Mechanism
CIFOR	Centre for International Forestry Research (Indonesia)
CIF	Climate Investment Funds
COP	Conference of Parties
CPI	Climate Policy Initiative (Indonesia)
CSO	Civil-society organisation
CTF	Clean Technology Fund
DECC	Department of Energy and Climate Change (UK)
DEFRA	Department of Environment, Food and Rural Affairs (UK)
DKN	National Forestry Council (Indonesia)
DNP	National Planning Department (Colombia)
DNPI	National Council on Climate Change (Indonesia)
EU	European Union
FIP	Forest Investment Program
GCF	Green Climate Fund
GEF	Global Environment Facility
GFATM	Global Fund for Aids Tuberculosis and Malaria
GHG	Greenhouse gas
GIB	Green Investment Bank (UK)
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICCTF	Indonesian Climate Change Trust Fund (Indonesia)
ICRAF	World Agroforestry Centre (Indonesia)
IIMSCC	Interim Inter-Ministerial Secretariat for Climate Change (Zambia)
IPPR	Institute for Public Policy Research (UK)
IREDA	Indian Renewable Energy Development Agency (India)
MADS	Ministry of Environment and Sustainable Development (Colombia)
MFA	Ministry of Foreign Affairs (Colombia)
MLNREP	Ministry of Lands, Natural Resources and Environmental Protection (Zambia)
MoEF	Ministry of Environment and Forests (India)
MoF	Ministry of Finance (India)
NABARD	National Bank for Agriculture and Rural Development (India)
NAPCC	National Action Plan on Climate Change (India)
NBFC	Non-banking financial company (India)
NCCD	National Climate Change and Development Council (Zambia)
NCEF	National Clean Energy Fund (India)
NGO	Non-governmental organisation
NPCC	National Policy on Climate Change (Zambia)
PPCR	Pilot Programme on Climate Resilience
RAD GRK	Regional emissions reduction guidelines (Indonesia)
RAN API	National adaptation guidelines (Indonesia)
RAN GRK	National emissions reduction guidelines (Indonesia)
REDD	Reducing emissions from deforestation and forest degradation
SIDBI	Small Industries Development Bank of India
SISCLIMA	National System of Climate Change (Colombia)
SME	Small and medium-sized enterprises
UK	United Kingdom
UKP4	REDD task force (Indonesia)
UNDP	United Nations Development Programme
WRI	World Resources Institute (Indonesia)
WWF	World Wildlife Fund (Indonesia)
ZCCN	Zambian Climate Change Network (Zambia)
ZIGGS	Zambian Inclusive Green Growth Strategy (Zambia)

1 Introduction

Adapting to and mitigating climate change will affect most sectors of national economies. Addressing this problem will require us to rethink our future investment trajectories across the board. Many government agencies and institutions are involved, as well as businesses, civil society, local institutions and communities. Each one of these has its own particular mandates, interests and priorities.

Many countries have begun to establish institutional arrangements to direct public finance and investment towards solutions to climate change. These arrangements have evolved over time, responding to changing demands and circumstances, and generally include roles for many stakeholders. International institutions seeking to support countries to achieve climate-compatible development have stressed the need to engage diverse national stakeholders and support coordination. Doing this well, however, is easier said than done.

This paper analyses the arrangements that have emerged in Colombia, India, Indonesia, the United Kingdom (UK) and Zambia to draw lessons on the conditions that facilitate or impede coordination across institutions and actors. It seeks to deepen our understanding of what drives existing arrangements for coordination around climate change-related policy and climate finance. These insights may be relevant for international institutions as they consider how to engage with national stakeholders and for countries as they consider arrangements for strengthening their interactions with international funds, including the new Green Climate Fund (GCF). The paper may be updated to respond to further feedback received.

Following an introduction to the methodology used for the underlying country studies, Section 2 distils key insights from the literature and theory on institutional coordination for understanding the institutional arrangements that have emerged in the five case-study countries. Section 3 analyses these arrangements and their modalities, seeking to highlight lessons and good practices. Section 4 concludes with core functions of coordinating institutions, and recommendations for both national actors seeking to strengthen domestic arrangements for climate finance and international actors that may support such endeavours.

Methodology and approach

This paper is based on case studies of institutional arrangements in Colombia (Jaramillo 2014), India (Jha 2014), Indonesia (Maulidia and Halimanjaya 2014), the UK (Flanagan 2014) and Zambia (van Rooij 2014) that respond to climate change and direct finance to policy solutions. Colombia, India, Indonesia, the UK and Zambia represent a diverse group of countries that differ markedly in terms of their economic circumstances and the way in which climate change will affect their economies. There are also significant differences across the five countries in the extent to which there is a policy or legislative framework for action on climate change, and in their ability to access domestic and international finance (public, private and hybrid) to support their national responses. Their diverse approaches on finance also reflect their particular financial circumstances. However, they do have one thing in common: all of these countries have multiple institutions involved in directing finance into climate-compatible solutions.

These case studies used a common three part analytical framework that:

- puts the domestic climate response in context;
- maps the institutions and actors that have been involved in efforts to invest in solutions to climate change; and
- reflects on the modalities of engagement, and analyses their implications.

Annex I summarises the approach used for all five case studies. The four studies of developing countries also included an analysis of lessons from efforts to access international climate funds and health funds, in order to offer insights into how international institutions are interacting with domestic efforts to invest in solutions to climate change. The country studies were based on a review of available literature and studies on the national response to climate change and engagements with finance. These were complemented by interviews with key stakeholders, including government, civil society and private sector representatives. The studies then reflected on the implications of these arrangements, and options that would strengthen practice.

2 Dynamics of institutional coordination: lessons from the literature

In most countries (developed and developing alike), climate change has primarily been the purview of ministries of environment. The political influence of environment ministries varies across countries, but is often perceived to be relatively modest. Growing recognition of climate change as an economic problem that requires a reshaping of policy and investment priorities across the board, has prompted interest in different institutional arrangements to mount a response to climate change and to direct the finance needed for such a response. Many studies on climate change and finance conclude that better coordination across agencies and stakeholders in country is essential if investment is really to be directed away from ‘business as usual’ and towards climate-compatible development, and if associated finance is to be used well (Ballesteros et al., 2010, Bird et al., 2013, Polycarp et al., 2013, Indonesian Ministry of Finance and CPI 2014).

Coordination refers to the need to ensure that the departments and organisations – public and private – that are responsible for the delivery of public policy work closely together and do not duplicate each other's work or allow gaps in services. Coordination is often understood in both 'horizontal' terms i.e. how to improve coordination between departments and programmes, as well as 'vertical' terms i.e. how to connect central agencies with local institutions and non-state actors. There is also interest in the multiple levels at which governance is needed to deal with the diverse challenges of climate change (Liesbet and Gary, 2003), the effective delivery of climate finance can also be considered on these multiple levels.

Improving coordination is an age-old problem: as a seminal study on policy implementation from 1973 noted, 'no phrase expresses as frequent a complaint about the … bureaucracy as does "lack of coordination." No suggestion for reform is more common than "what we need is more coordination"' (Pressman and Wildavsky, 1973).

Three major concepts are often referenced to shape understandings of coordination in this multi-level context (Thompson, 1991).

- The principle of **hierarchy** suggests that coordination must be driven from the top down, with central administration and political leaders driving ministries and agencies to coordinate closely. Individual organisations may not have a clear view of what other organisations are doing (and how it relates to their duties), and may therefore struggle to forge shared interests with others. Hierarchy, it is argued, can reduce the transaction costs of coordination.
- A second theory posits that coordination results from **exchange** and bargaining. Buyers and sellers each have something to gain, but may enter this exchange with opposing interests. Therefore, processes related to the allocation of finance (such as budgets) represent a type of coordination based on exchange.
- A final strand of theory focuses on **networks**. Networks are defined through patterns of interaction among organisations and individuals concerned with the same policy issues. Networks depend upon the interests and commitment of individuals and groups. In some contexts networks can restrict coordination if they are too insular or exclusive.

Coordination can also be considered in terms of 'positive' and 'negative' approaches (Scharpf, 1972). Positive coordination seeks proactive engagement of stakeholders around a shared agenda. While this can help to tackle crosscutting and 'difficult' issues such as climate change and associated decisions on finance, it is rare because it takes time and involves substantial transaction costs, and may be seen to threaten departmental interests (Fleischer and Hutstedt, 2012). In contrast negative coordination (which often dominates) includes a lead ministry proposing options and seeking to set an agenda, while affected departments offer comments or resistance. Merely setting up an inter-ministerial process to facilitate positive cooperation does not guarantee success, or build common understandings of the problem to be tackled (Fleischer and Hutstedt, 2012). Changes in structure, therefore, do not necessarily change behaviour and it is the incentives to coordinate climate change that matter. While formal mechanisms for coordination can be helpful, they need to be complemented in practice with informal techniques of bargaining and engagement.

3 Institutional arrangements: key findings from the five case-study countries

Governance of the domestic response to climate change affects the role that finance can play in supporting this response. In each of the five case study countries, the major institutional arrangements around climate finance have followed the creation or adoption of a domestic climate change strategy, policy or legislation. They have emerged either with a goal of supporting more climate compatible national development policies, often with an additional objective of strengthening national preparedness to access and use international climate finance.

The mandate and purpose of domestic institutional arrangements around climate finance can be characterised as:

- Championing climate change as a priority in the context of wider investment or development choices, and bringing other stakeholders on board in support of this priority (*more likely if empowered by the wider climate-governance context)*
- Forming a common vision on the action that must be taken to address climate change and associated policy priorities through tools such as a Presidential decree, legislation or national policy document (*often necessary to facilitate a stronger climate-governance framework)*

Table 1 and 2 summarise the institutional arrangements in place in all five countries, and their key attributes. In Colombia, Indonesia, and Zambia efforts to support 'positive' coordination around finance and investment are underway through the creation of new institutions. Platforms or institutions that bring together representatives of different government and stakeholder groups have been established to support implementation of the national response to climate change. Substantial effort has been invested in Colombia and Zambia to put in place systems to share information and understandings of issues related to domestic implementation, as well as engagement with international climate financing and associated policy processes. These often have direct or indirect links to institutions that develop climate-related policy or legislation. Decisions around what to prioritise, and how to support execution through finance, have been central in these fora. In this context, the role of finance in enabling implementation is an important consideration. International organisations have provided significant support for these arrangements, as we discuss below.

In India and the UK, by contrast, there does not yet seem to be much evidence of 'positive' coordination around finance. This does not necessarily suggest 'negative' coordination, however, in the sense of active resistance: rather, in the absence of a formal coordination mechanism, informal networks and exchanges between various actors have been prevalent. While arrangements for coordination may be less elaborate, substantial action is getting underway in collaboration with private sector actors. In the Indian case, sub-national institutions (primarily state governments) are playing a major role. The National Action Plan on Climate Change (NAPCC) has catalysed a substantial effort at state level to develop and cost climate-change action plans. While some international climate finance is targeting local government institutions, formal engagement of sub-national government is nascent and a recognised frontier for future work. Greater opportunities for structured engagement, or an exchange of perspectives on opportunities to scale up or expand action, might be highly beneficial in this context. In both India and the UK, national climate priorities have prompted the establishment of new initiatives to incentivise investment in energy efficiency and renewable energy, under the broader ambit of efforts to meet and address greenhouse gas emissions reduction and ensuring energy security.

Key findings

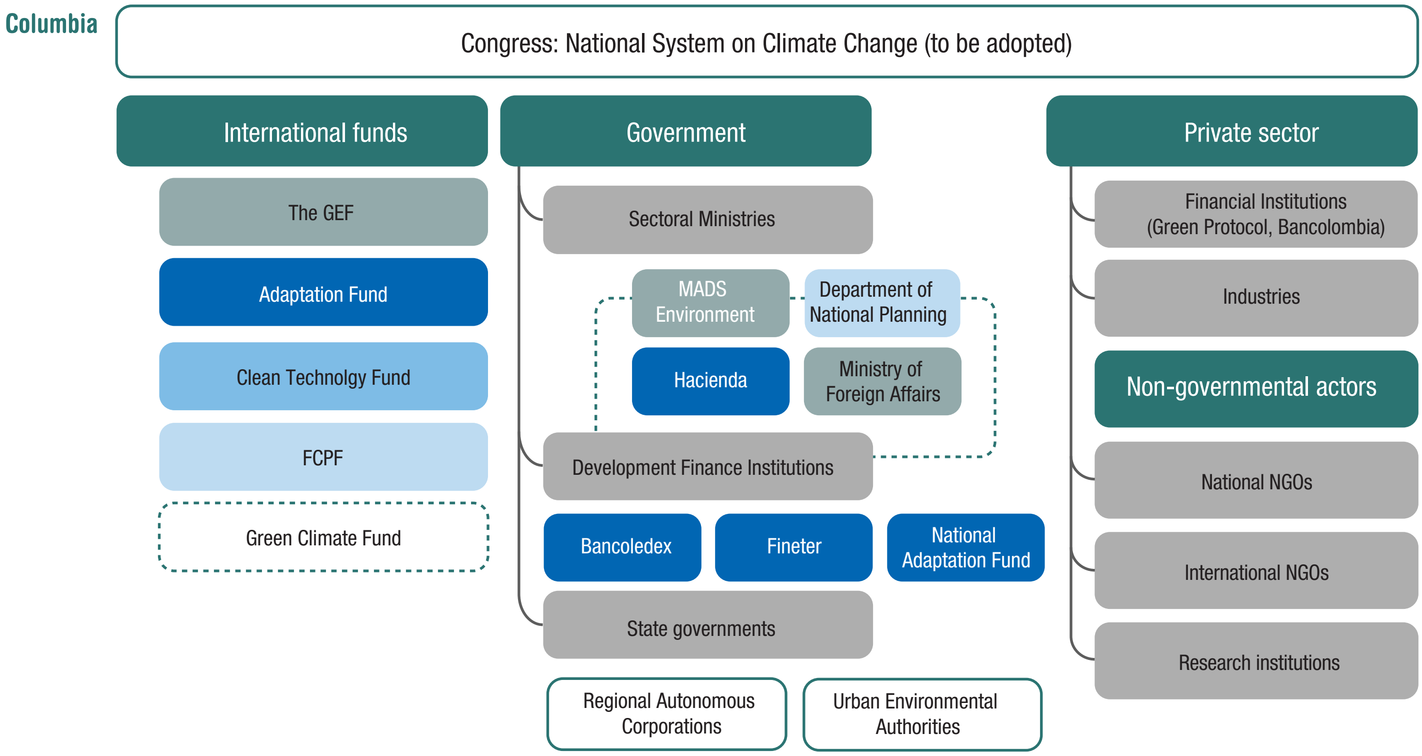
In all of the countries reviewed, a vast range of institutions (within and outside of government) play an important role in implementing efforts to respond to climate change, and thereby in accessing and using finance for action. While formal structures for engagement may be helpful, in practice informal working relationships and collaborations have proven vital. Strong leadership by technically respected individuals, and informal collaboration is beginning to create a more solid foundation for coordination.

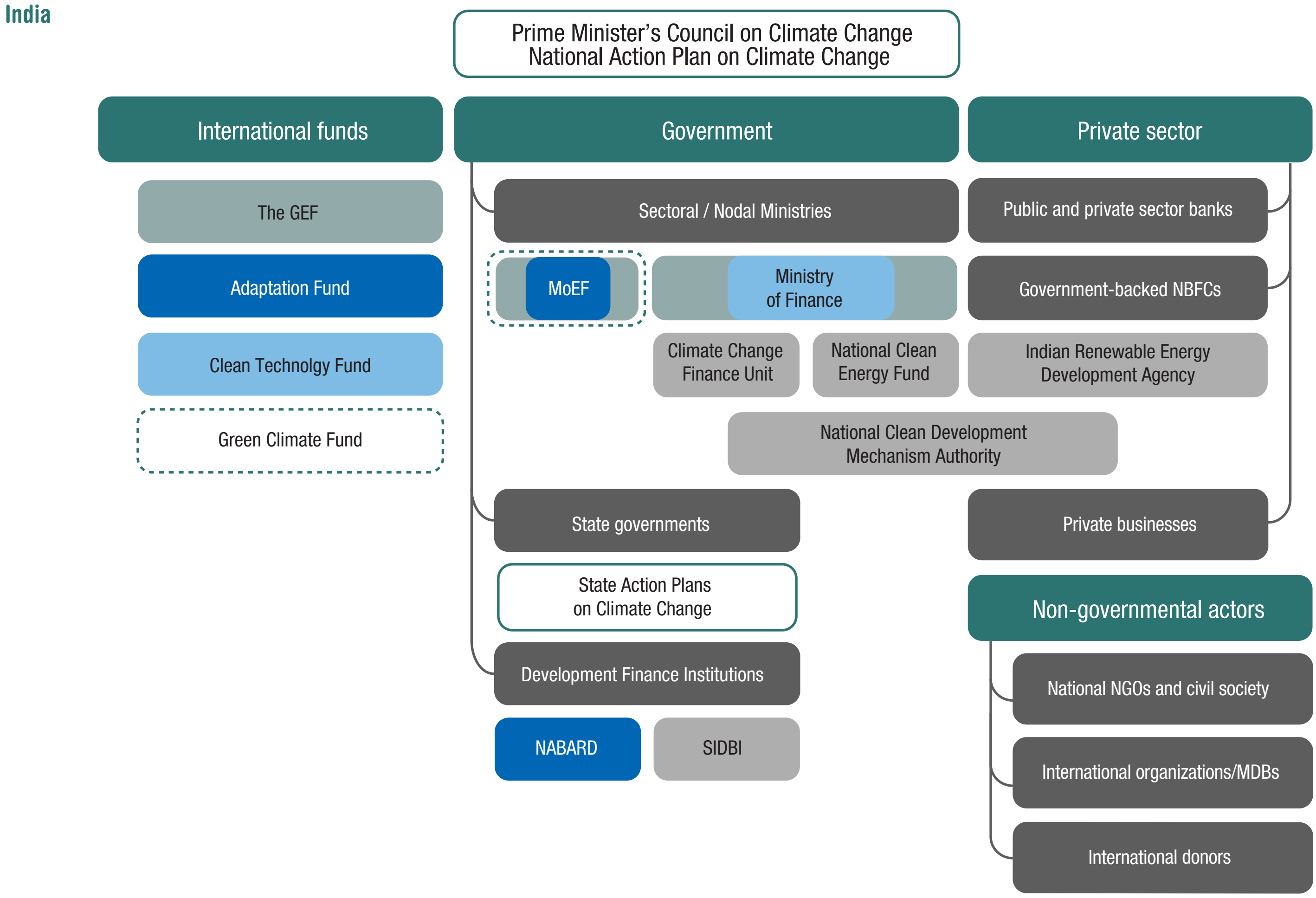
Domestic financial markets, levels of public debt and the ability to access international capital markets to raise finance vary substantially across these countries. These factors shape options for a national climate finance response. In most of the case study countries, with the exception of Zambia[1], one observes an increasing role for national development banks in the domestic climate response

So far, efforts to allocate domestic public finance on the basis of agency or institutional contributions to a national climate-change response are nascent. The adoption of performance-based budgeting approaches in the context of implementation of the RAN GRK in Indonesia may begin to create such a framework. But even in the UK, where government departments have been subject to carbon budgets, they have not been given financial support from the national treasury to achieve those budgets.

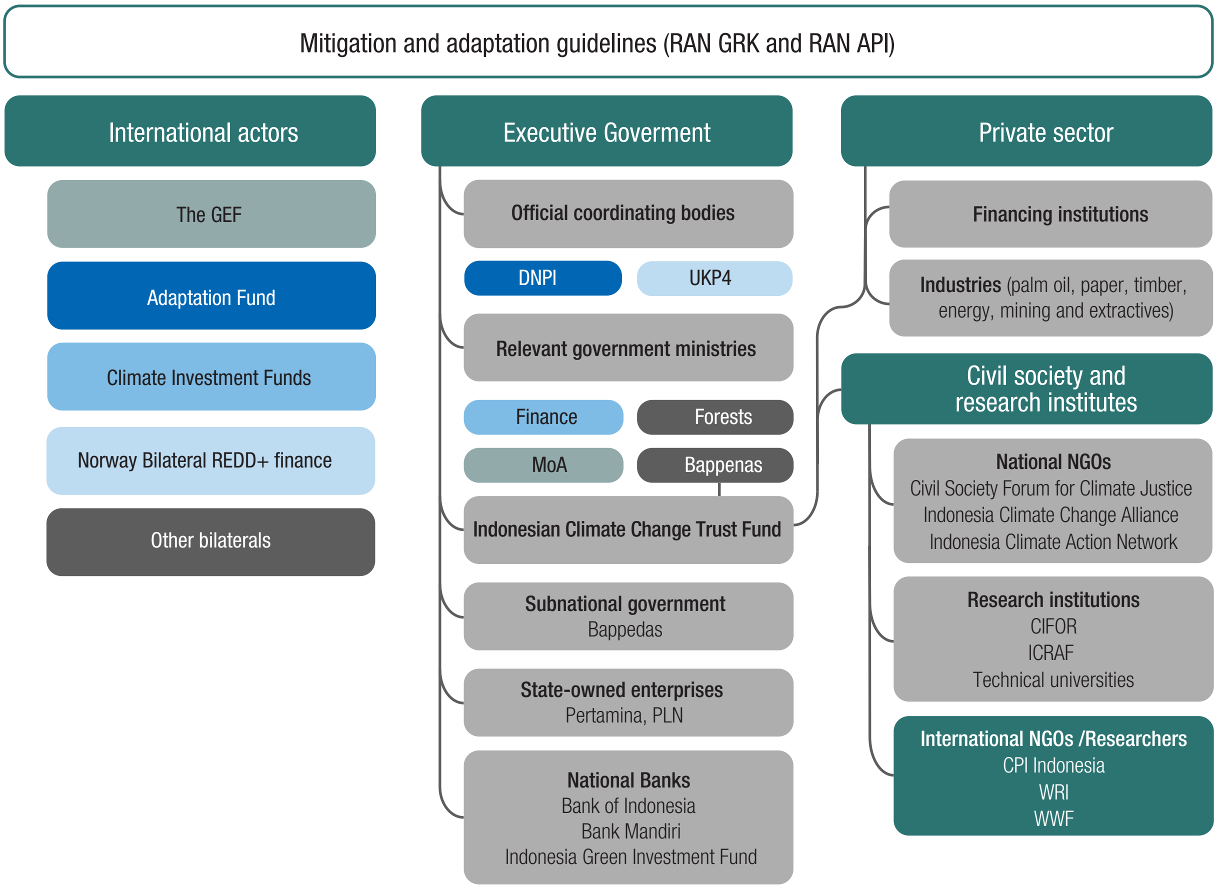
[1] The Development Bank of Zambia does not appear to be active on matters of climate finance.

Table 1: Institutional arrangements around climate finance in the five case-study countries

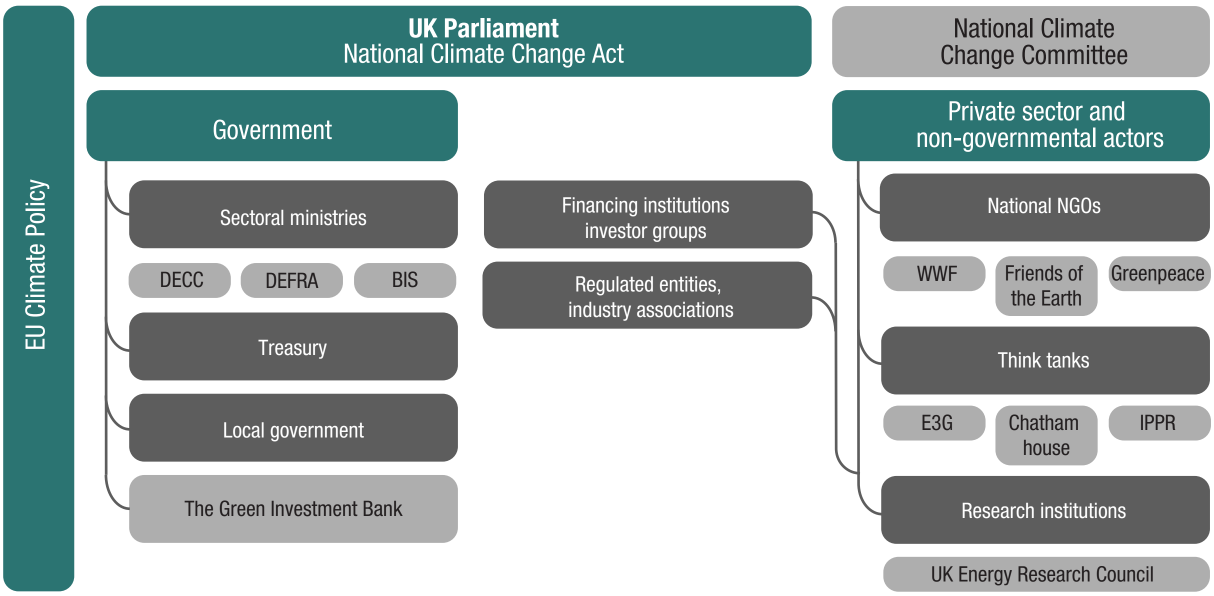




Indonesia



United Kingdom



Zambia

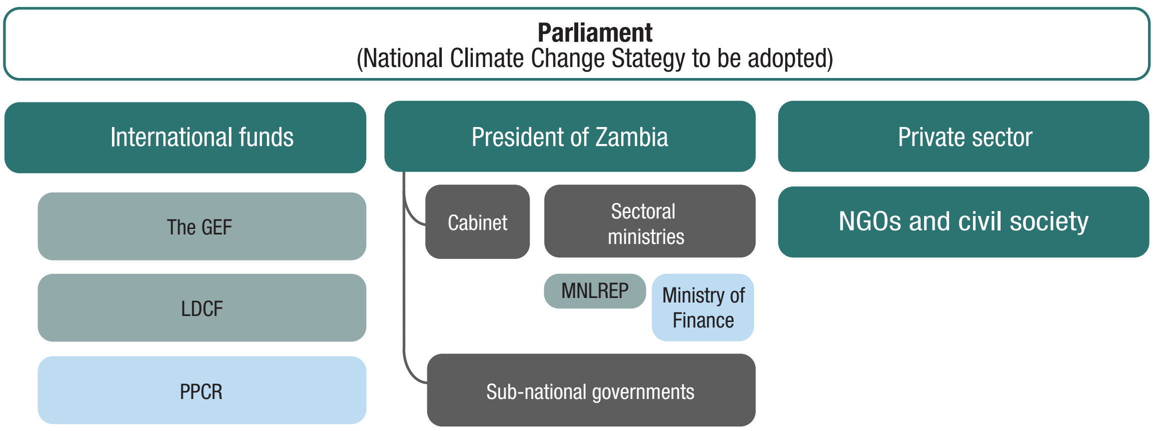


Table 2: Key attributes of institutional arrangements in the five case study countries

	Colombia	India	Indonesia	UK	Zambia
Climate governance context	A climate change law is being pursued, aiming to institutionalise the national climate system (SISCLIMA) with an inter-ministerial body led by DNP, and prompt national budget expenditure on mitigation and adaptation.	NAPCC has triggered action at national and state level, complemented with policy and regulatory measures	The RAN GRK (Mitigation Plan) and RAN API (Adaptation Plan) have been adopted as national and regional plans for meeting emission reduction goals and supporting adaptation.	The National Climate Change Act sets out climate change response goals, in the context of wider EU climate change commitments	Climate change is addressed in the national development strategy; a climate change strategy and green growth policy are to be adopted by Parliament.
Key Roles	The anticipated SISCLIMA has a finance sub-committee. The finance committee takes over from the presidential committee on international affairs. Representatives of the Ministries of, Environment, Foreign Affairs, Treasury and others are already engaged, and meet regularly since 2013. Engagement with the national budget system needs strengthening.	Action on finance highly decentralized. Ministry of Environment (MoEF) (focal point on international engagement) Ministry of Finance (MoF), which houses a dedicated Climate Change Finance Unit (CCFU), are key actors. Substantial implementation at state level.	Multiple organisations have a mandate to act. President-backed DNPI leads on international policy and inter-agency dialogue. UKP4 is coordinating REDD+. BAPPENAS has developed plans, and hosts ICCTF as a channel to coordinate international finance. Ministry of Finance now engaged on climate options, but operational links to public expenditure can be strengthened.	The National Climate Change Committee oversees adherence with carbon budgets, and guides adaptation. DECC engages energy regulators and industry on mitigation. DEFRA leads on environmental policy and adaptation. UK treasury announced plans to incorporate climate into investment decisions in 2010.	The Interim Inter-Ministerial Secretariat for Climate Change (IIMSCC) comprises representatives from ministries of Environment, Finance and Agriculture. It replaces the Climate Change Facilitation Unit in Ministry of Environment. Ministry of Finance has played a lead role. It is to be replaced with a National Council on Climate and Development.
Interaction with local government	Strong role for city and regional level actions. There are sub-national environmental authorities that could play a greater role in the arrangements.	Many state climate plans, triggered by the promise of additional funding. Many internationally funded projects now interface with state governments.	Local governments empowered to act on issues of investment and implementation of projects. BAPPENAS has yet to actively engage local planning units (BAPPEDAS); recognised as a frontier for further effort.	Important delivery agent for emissions reduction and adaptation. English local government used to have indicators for climate change, but these were dropped in 2010. Severe budget cuts and revenue restrictions, limit capacity to act.	Several climate programs directly engage local government units. There is potential for a strengthened role for Ministry of Local Government.

	Colombia	India	Indonesia	UK	Zambia
Influence over the national financial system	The finance committee is to engage a range of national development banks including Bancoldex, FINAGRO, and others. Nine private financial institutions, two development banks and the Colombian government have signed a Green Protocol in 2012 to promote sustainable investment.	NABARD (rural development), SIDBI (Small Industries) and other development banks increasingly engaged, as well as non-banking finance companies (IREDA). Opportunities for more structured engagement could be beneficial.	Bank of Indonesia supporting green investment. Bank of Mandiri developing low carbon credit lines, and serves as trustee for ICCTF. Ministry of Finance's Investment corporation Pusat Investasi Pemerintah is exploring low-carbon investment. The Indonesian Banking Authority developing green banking regulations.	Treasury was relatively slow to announce guidelines on how to incorporate climate into investment choices. A Green Investment Bank (GIB) was created to provide private actors finance for low carbon and green investment. Capitalisation of the Bank has been modest however, and its risk tolerance limited.	The domestic financial system is relatively small; to date there has been limited engagement of the Zambian Development Bank or other domestic banks on climate issues.
Private sector	Relatively limited systems in place to engage businesses and industry to date in the finance committee.	Mostly evidenced in the renewable energy sector, with financing from a range of private sources.	National banks have begun to galvanize private investment, yet the role of the private sector in change response is limited.	GIB aims to unlock potential private investment in low carbon and green investment; direct operational links through investment chain. DECC consults with industry groups in developing climate policies and regulations.	Several studies on the potential for private sector engagement have been completed, but in practice engagement is limited
Civil society and NGOs	Domestic civil society capacity on climate is perceived to be relatively weak. To date, there is no formal civil society participation on the Finance Committee.	No formal platform for engaging such actors. Representatives from leadings research institutions or think tanks engaged as expert advisors in the design and execution of climate change responses.	DNPI and ICCTF have set up platforms to engage representatives from civil society groups and national and international research institutions.	National Climate Change Committee includes academics	IISCCM engages the Zambian Climate Change Network (ZCCN) – a coalition of NGOs and private sector actors – for civil society inputs.
Role of Parliament/ Legislature	Recognised need for Congress to play a more active role on climate, including by institutionalising the proposed SISCLIMA.	Limited. Most institutional arrangements have developed following initial momentum provided by the Prime Minister's Office, led by key nodal ministries.	Plans mostly adopted through Presidential decree, little role of Parliament.	Parliament plays central role in oversight of national climate policy, coordination efforts, including those aimed at investment.	Parliamentary action needed to adopt the National Climate Change Policy and Green Growth Strategy, which will institutionalise the IIMSCC.

The role of the private sector

The structure of the institutions analysed suggests that private-sector actors have not always been included in decision-making bodies. In most countries there is growing private sector participation in climate-related activities and it is clear that there is an important opportunity to unlock the potential of private players in general, so that private financial activity is linked to national priorities and processes. Targeted approaches are needed to understand private-sector interests and practical options to reflect the sector's priorities with respect to low carbon and climate-resilient investment opportunities. This is not straightforward, however: in countries such as the UK where such efforts have been made in a concerted way, space is often largely occupied by private interests with a stake in business as usual (oil gas, fossil fuels). There is also a need to recognise the expectations of the private sector from the GCF and enable its engagement with the Fund. In general, institutions appear to have struggled to put in place appropriate fora and frameworks to this end. In most countries, however, there is recognition of the importance of adopting better approaches to engagement, and strong interest in finding appropriate ways forward.

Consulting expert groups, civil society, and the public

Civil-society organisations (CSOs) are playing a significant role in all of the institutional arrangements considered in this study. In many cases, they have direct representation on councils or bodies. In India, for example, representatives of think tanks and NGOs have also been engaged in the design and execution of national climate change responses, often as expert advisors. In the UK, the National Climate Change Committee includes respected academic experts as well as former politicians and business leaders. In Indonesia, the Government draws upon the trusted expertise of several civil-society groups and networks and DNPI has set up platforms to engage civil society and think tanks. Through the ICCTF, an elaborate structure has been devised to include representatives of academic organisations and civil-society networks in the governance of the Fund. Similarly, in Zambia the IIMSCC engages the ZCCN to provide grassroots and civil-society inputs.

But there are limits to the perspectives that can be engaged through direct representation. In turn, the legitimacy of the selection of civil-society representatives on such bodies may be contested. There has, in general, been a need to complement such 'direct' representation with efforts to create opportunities for more broad-based consultation and input. Such measures have often been tailored to particular issues that institutions are trying to tackle. In Indonesia, for example, stakeholders have been mapped and concerted efforts have been made to engage them in the context of strengthening stakeholder engagement in efforts to reduce emissions from deforestation and degradation, in partnership with the National Forestry Council (DKN). General efforts to share information and report on the progress of these institutions can increase the understanding of progress by a wider range of stakeholders.

In several cases, notably in India and the UK, formal processes of participation are routinely included in the finalisation of proposals and investment choices; but these opportunities often come quite late in the game. Access for some groups, however, is an issue, as is transparency. Civil society groups may perceive that large, influential businesses (often carbon intensive) have greater access to these processes, which may dissuade engagement. Informal and broad-based engagement earlier in the process can often be more influential.

Parliamentary oversight

The extent to which parliaments and legislatures have engaged in climate and finance related initiatives varies substantially. In the UK, the legislative context for action means that Parliament plays a central role in oversight of the national climate-change and the national coordination effort, including efforts to realise investment.[2] In the four other countries studies, similar efforts involve more limited parliamentary engagement, although a more active role for legislatures would presumably ensue in Colombia and Zambia if proposed measures that would institutionalise present arrangements are adopted. In Indonesia, plans and policies have been adopted by Presidential Decree, rather than through legislative processes. While such an approach has been expedient, the lack of legislative certainty raises questions about continuity in the face of the country's political changes and electoral cycles. The influence and effectiveness of new institutions or arrangements is inextricably linked to the perceived legitimacy and credibility of its leadership, as well as its formal legal mandate or political character.

Interactions with international funds and donors

The question of how international funds engage with national actors has been an issue of particular interest for the international community as it seeks to strengthen ownership and stakeholder engagement of multilateral climate funds. Different funds have engaged different actors at country level, and there is a recognised need for contributors to strengthen coordination with each other and for the use of emerging national systems to monitor international support received. More generally, support from international institutions has shaped the origins and trajectories of institutions involved in the domestic climate finance response. In all countries these arrangements have their roots in national efforts to respond to climate change as a global policy agenda. But in three of the countries reviewed – Colombia, Indonesia and Zambia – international institutions have supported the design and operationalisation of these arrangements.

Steering committees that seek to engage stakeholders around the priorities of the Global Environment Facility (GEF) and Adaptation Fund (AF) have been created in many countries. These fora and processes have value in terms of creating a space for deliberation and reflection over the role of the International Fund in the domestic context. They have also served to enhance the legitimacy of international fund programming in country. However, they have often been somewhat distanced from the heart of the institutional arrangements for investment in solutions to climate change as described in Table 3. Their impact and traction has been debateable.

The World Bank's Climate Investment Funds (CIFs) are observed to engage key actors that lead on economic planning and investment, investment notably ministries of finance. But the extent to which they have engaged deeply with national needs and priorities has been mixed. Ministries of finance have often been more inclined to use available climate finance to support pre-existing investment priorities, particularly for infrastructure, than to engage in a more in-depth exploration of opportunities to optimise mitigation, and address vulnerabilities. In many cases, stakeholder engagement beyond government has been weak. The Pilot Programme on Climate Resilience (PPCR) experience in Zambia, however, appears to have deliberately supported an inclusive programming approach.

[2] This has also been observed in the case of countries such as Germany, where there is negative coordination at a departmental level but Parliament has played a direct role in approving policies and programmes to invest in climate-change mitigation.

Table 3: Structures for interaction with climate funds and donors

Colombia	• DNP acts as CIF focal Point • The AF works through MADS. MADS is also the operational focal point for the GEF, while the Ministry of Foreign Affairs serves as the political focal point. • National steering committees made up of focal points and representatives of relevant government ministries, research institutes and implementing agencies have been created for the GEF and the AF. Local government also involved for the AF. The impact of these committees has been unclear. • Colombia's inter-ministerial arrangements on climate change, however, and the underpinning technical work to design and establish these were supported through a development policy loan from the Inter-American Development Bank.
India	• The GEF works through the MoEF as operational focal point, while the MoF is the political focal point. • The MoF has led Indian engagement with the Clean Technology Fund (CTF), which is focused largely on the energy sector. The CCFU has been established within the MoF, which serves as the lead on the international climate finance processes and negotiations. • The MoEF is the Designated Authority, while NABARD has been accredited as an implementing entity. The MoEF has been designated as the National Designated Authority for the GCF.
Indonesia	• DNPI has led engagement with international climate policy related processes, and acts as the designated authority for the AF and the CDM • Ministry of Finance is the focal point for the CIFs, in collaboration with the Ministries of Energy for the CTF and forests for the Forest Investment Program (FIP). • The Ministry of Environment is the operational focal point for the GEF. The GEF supports a national stakeholder dialogue that includes a growing range of academic and civil-society stakeholders. • Development policy loans from Japan, France and the World Bank have aimed to strengthen climate-change governance arrangements, including support for BAPPENAS to develop a climate-change response strategy and establish the ICCTF. To date, very little international finance has been channelled through the ICCTF.
Zambia	• The Ministry of Environment is the focal point for the GEF and the A • The Ministry of Finance leads engagement with the CIFs on the PPCR • Support from UNDP and Norway resulted in climate change being singled out from the wider environmental oversight functions of the Ministry of Environment through a climate-change coordination unit. • Support from the PPCR then allowed the Ministry of Finance to take over these functions through the IIMSCC. • PPCR funding has played a key role in supporting both the interim arrangements and a much more active role for the Ministry of Finance in these processes.

In addition, the approach pursued by global health funds such as the Global Fund for Aids Tuberculosis and Malaria (GFATM) of working with a key line ministry and establishing a multi-stakeholder platform for engagement around funding priorities was perceived to have worked relatively well in most cases. These platforms and the costs of their operation have been supported by the Funds. While there were originally concerns that such approaches might result in parallel structures for decision-making, in the five countries reviewed they appear to have developed good links to relevant ministries' own priorities, and created a space for sustained engagement with stakeholders. Such an approach could offer a model for efforts to strengthen engagement in the context of international climate funds.

4 Lessons learned: implications for ownership and ways forward

Climate-finance institutions did not appear on a blank slate. Every country has to build on its existing institutions, its competencies and priorities, and a complex political context when grappling with the implications of climate change for future economic trajectories. In several countries there may be a process that results in mainstreaming (the incorporation of climate and resilience/sustainable development considerations in key areas) without explicit reference to 'climate'. In many countries this may drive investment in activities that deliver mitigation and resilience outcomes. In all cases, efforts to strengthen coordination around finance for climate change activities must deal with messy domestic landscapes, where new priorities and practices need to be adopted by a set of actors that already exist.

Core functions of coordinating institutions

The five case studies completed suggest the following core functions[3] of the institutions involved in the arrangements that support finance for climate change responses:

- Resource mobilisation (from domestic, international, public and private sources), and creation of a framework for management of fund flows
- Identifying the contribution that different stakeholders (ministries, sub-national government, civil society or the private sector) could make to implementation.
- Fostering public engagement on efforts to respond to climate change, and providing accountability for action
- Taking stock of progress made, external developments, and opportunities for new or further action
- Many of the actors involved in these arrangements also take responsibility for project or concept development and execution

In addition, in the absence of any specific empirical evidence within the case studies in this regard, we have identified another core function for such arrangements – they must begin to take on a role in helping to forge agreement on

[3] None of the arrangements that we have analysed in this study were designed with these core functions deliberately in mind. But many have evolved to address many of these functions to varying degrees.

common priorities in this context, including opportunities for available public finance (whether international or national) to have the maximum impact.

Several countries have created climate funds that are intended to 'dock' international or external finance in climate related priorities. In Indonesia, for example, the ICCTF sought to consolidate international support for the domestic climate change response agenda. Some developed countries have also created such financial structures, such as the GIB in the UK. However, these arrangements are sometimes somewhat removed from the core dynamics of the national investment strategy, or indeed the national effort to respond to climate change. Similarly, international funds such as the GEF have sought to create mechanisms to facilitate coordination with national stakeholders around their programming priorities.

On the other hand, institutions have emerged in many countries that are now actively involved in efforts to incorporate climate considerations into 'mainstream' policy and associated investment decisions and financial frameworks, for example the climate finance committee in Colombia, or the IIMSCC in Zambia. In some cases, these arrangements began as donor-supported initiatives, but are now evolving to play a central role in the domestic climate and development landscape.

Different countries lie at different stages along this continuum, and most of the countries analysed represent hybrids that exhibit characteristics of both of these simplified types. Arrangements also evolve over time.

Table 4: Types of institutional arrangements for climate finance

Key features	Type: Docking	Type: Mainstreaming
Purpose	• Dedicated entity created to attract international finance.	• No one specialised agency to attract international finance.
Resource mobilisation	• Weakly linked to domestic climate response and associated investment decisions.	• Buttressed by a larger legislative or policy context, and influencing domestic investment priorities.
Institutional structure	• Clear recipient institution, with a formal relationship with myriad agencies.	• Overarching coordination arrangements bringing key actors on board, backed by executive, legislative or presidential structures.
Stakeholder engagement and consultation	• Express mandate to engage stakeholders, creating substantial procedural space for other government agencies and civil society agencies.	• Scope for external consultation reflects general national practice (and their respective strengths and weaknesses).

The scale of finance available matters

The scale of the finance around which an arrangement is structured can be one significant factor in whether it supports "mainstreaming" or "docking". For example, in many cases inter-agency bodies have been created to make decisions around programming relatively small volumes of GEF finance; but their traction and influence with mainstream investment actors (such as ministries of finance, development banks, and the private sector) has been modest. On the other hand, while ministries of finance have engaged around them much more substantial sums of finance available through the CIFs, the extent to which they have engaged other institutions in programming and implementation decisions has varied significantly. Express support (and accountability) for "positive coordination" may helpfully prompt greater interaction and deliberation across stakeholders about priorities. In the UK, while the GIB's capitalisation of £3 billion is significant, it is a modest sum given the scale of the UK's climate financing challenge, further constrained by its inability to borrow.

How coordination is led, matters as much as *who* leads it

Ministries of finance, environment, and non-governmental actors all have vital roles to play in the organograms that seek to capture the arrangements presented in this report. These arrangements are not always tidy: roles and responsibilities are evolving. It is often assumed that, consistent with principles of hierarchy, support at the highest levels of government will simplify coordination. But the five case studies carried out for this study suggest that operational coordination may be complex, even when an entity is empowered by the highest level of government. The seniority, commitment and leadership of civil servants from ministries that participate in coordination efforts is also a substantial consideration. As noted, when ministries of finance lead, they may not bring the requisite expertise and grounding in the requirements of low carbon and climate resilient development; they have sometimes focused on advancing pre-existing priorities, rather than grappling with the complexities of changing course. On the other hand, ministries of environment have often used access to finance as a way to expand their own capacity and priorities, or struggled to bring those with implementation capacity into the conversation. Working arrangements that create space for ministries with responsibility for economic and financial decision-making to partner with Ministries with requisite expertise and mandate to address climate change and environmental issues are needed.

Incubating new ideas and fostering broad based action

Institutional arrangements on climate finance foster stakeholder engagement and coordination to various degrees. Stakeholder engagement and coordination may be linked, but they are not the same. Engagement may enable diverse input on options and may foster innovation. In addition, ample opportunities for engagement may foster debate, or seek to widen the range of perspectives and legitimacy of individual policy processes, without directly reinforcing coordinated action. Indeed, the larger the range of stakeholders that an initiative seeks to engage, the more this can complicate efforts at coordination.

In creating opportunities for diverse stakeholders to input into climate change and finance-related decision making, however, it may be possible to create new opportunities for stakeholders to carry their insights and learning from different fora to each other and advocate for coordination where this is in their interests. In all five countries, there are a diversity of actors beyond government who are well placed to advance action on climate change. Frameworks that allow information to flow to all relevant stakeholders on opportunities, new developments and national priorities, may be helpful. Furthermore, some elements of constructive competition and incubation among stakeholders are likely to be necessary to foster innovation and the effective responses sought on climate change.

Incentives and accountability for coordination and engagement can be strengthened

Over time, in some countries, such working arrangements appear to be emerging: but they need to be supported by political authorities, and can be incentivised through access to finance. In practice, incentives to coordinate in the context of access to international climate finance are often weak. Key actors may see little to gain from engaging with climate-related processes. Individual institutions may feel that they will have a better chance of accessing finance on their own than if they work through a coordinated process.

In theory, however, facilitated coordination in the context of efforts to access international climate finance that includes an element of exchange or bargaining could give key actors an incentive to stay at the table. In other words, access to international finance may be structured to help empower lead agencies to convene key domestic actors. But taking such action takes time, resources, and dedicated capacity. Support for such functions has been helpful in operationalising these arrangements in most countries. To galvanise key stakeholders around such an approach, however, finance will need to be available on an adequate scale, and timeline, to make it worth their while to engage.

Recommendations

A sound understanding of the domestic institutional landscape is imperative to avoid further marginalisation of the climate financing processes from domestic climate policy processes and mainstream investment in relevant sectors. Flexibility is essential.

Improved coordination may benefit from:

- The availability of adequate funding (whether from domestic or international sources) that creates sufficient incentives for key actors to come together and engage over a reasonable time period
- Proactive leadership of the anchor ministry in efforts to bring ministries of environment, finance, local government and national financial institutions together
- A robust analysis of stakeholders in the national climate response, their interests and the strengths and weaknesses of existing working arrangements, taking account of relative mandates and resourcing
- Accountability to both domestic and international stakeholders for active engagement with the range of relevant stakeholders

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Annex I: Methodology for country case studies

SECTION I: Mapping the institutions and experience to date

a. Climate change in context

Key sources of GHG emissions + vulnerability
Brief overview of policies and legislation to address climate change

b. Domestic institutional arrangements for investment related to a climate change response: an overview of the landscape

- Which are the key ministries and agencies involved in managing investments linked to these sectors?
- What role do national financial institutions (including development banks) and potentially central banks play in shaping investment in these sectors?
- What role is public (domestic and international) and private finance playing in climate activities in country overall?
- What is the level and type of engagement of local government and sub national institutions as relates to these sectors?
- What role have civil society organisations and research institutions been playing on climate change issues and on climate finance specifically?

SECTION II: Analysing institutional arrangements for climate change and finance at country level

- What (if any) institutions/ministries/agencies have been designated or established to govern the national response to climate change to date, and channel finance towards climate change related activities?
- Who is involved and how (see table 2)
- How are efforts at inter-agency coordination funded and staffed?

Mapping			Implications
What role do the following actors play?			
Ministries / agencies that control investments in key sectors play (and how) e.g. finance / planning energy water environment agriculture		At what level are they represented? What is the form of their engagement? What resulting actions are they taking?	
Parastatals e.g. utilities, etc.			
Local government and sub-national entities	If yes, which ones? If no, why not?	What are the challenges and modalities for delivering finance to local actors?	
National financial institutions – including development banks and (potentially) central banks	What role is climate playing in their investment strategies (short and long term)? If they are not involved in climate policy responses, why not? Do they have a mandate from Government to engage?	If yes, what role do they play in these arrangements? At what level are they represented?	How actively engaged are they? How are they resourced in terms of number of people? What is the extent of climate related activity within their portfolio?
Civil society/ NGOs	If involved, which ones, and what was the selection process If not, why have they been left out / what are the implications	If involved, how have they engaged? Are there formal processes for engagement?	What kinds of inputs have they made? How are they perceived by other stakeholders?
Private actors (big business vs. SMEs?)	If involved: which ones? What was the selection process? If not, why have they been left out / what are the implications	If involved, how have they engaged Are there formal processes?	What kinds of inputs have they made What kinds of activities or roles are they taking on as a result? How are they perceived by other stakeholders?
Private financial institutions	What role are private financial institutions playing in investing in responses to climate change within the country so far? Have they been involved in the national climate change response efforts at all to date? Are they involved in these institutional arrangements? If not, why not?	If involved, then what roles are these actors playing? What is the availability of market data and information? Who and how is this provided?	
International funds and development partners*		What role are international finance and international institutions playing in these institutions?	

c. Accessing international climate funds*

Which international multilateral climate funds have been accessed so far? For what purpose? Who has led the engagement with each of these funds?

International fund	Accessed (Yes / No: If yes, how much money)	What systems / processes does the fund use to engage with national government?	Mechanisms for including other stakeholders (if any)	Key features
Global Environment Facility				
Least Developed Countries Fund				
Adaptation Fund				
Climate Investment Funds				
GAVI				
GFATM				
Other				
Sources of Information: Desk review of fund systems and processes with the country; Interviews with key stakeholders				

SECTION III: Synthetic analysis of the implications of the arrangements that have been established

Emergence of arrangements

- How did these institutions and systems emerge? Where do they derive their mandate (what is their legal status and political profile)?
- Have multiple or parallel processes that direct finance towards activities that have climate change impacts emerged? If so why? What are the implications?'

Modalities of working

- What roles do these institutions play in overseeing strategy / program execution and implementation?
- How are tensions and challenges navigated in practice?
- What opportunities are there for wider stakeholder engagement? How have these been structured? If these systems are not in place, why and what are the implications?
- What mechanisms are being put in place to strengthen collaborative working relationships (e.g. information sharing, etc.)

Ways forward

- What are the implications of these modalities?
- What have we learned from the particular country experience?

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