EVALUATION & LEARNING INITIATIVE

SYNERGIES BETWEEN CLIMATE FINANCE MECHANISMS

This study is one of the first analyses to assess the experiences of aligning investments from multiple large-scale climate financing instruments. Working through country-specific case studies, stakeholder interviews, and project portfolio reviews, it explores factors that favored or hindered synergies across diverse climate funds — including the Climate Investment Funds (CIF), Green Climate Fund (GCF), Global Environment Facility (GEF), and Adaptation Fund (AF)— and suggests areas for optimization.

CONTEXT

Many different climate funds populate the international climate finance landscape. It is in the common interest of the international community that synergies are optimally leveraged to maximize effectiveness and increase efficiency. This report examined results and testimonials from individual projects financed by multiple climate funds in Cambodia, Kazakhstan, Mongolia, and Namibia. Overall, it found that complementary finance from diverse climate funds can lead to better development outcomes, efficiency, and scale of financing in developing countries.

KEY FINDINGS

The investments supporting renewable energy, resilience building, and energy efficiency saw improved rates of pilot program replication, project continuity, scale, and knowledge sharing, among other enhancements. These outcomes were said to be more likely when the funds' respective investments built on one another, supported thematically or geographically complementary objectives, or coincided with parallel knowledge sharing efforts. Opportunities to build synergies include scaling up or replication of pilots, providing continuity of climate action, combining complementary resources to reach scale or improve effectiveness or efficiency, cross-learning to accelerate and improve impact, and sharing of implementation structures where relevant and feasible.

Leveraging comparative advantages of various climate funds can be a boon to climate action but getting it right requires deliberate planning at every stage of the investment cycle, supported by a number of drivers and success factors. In the four countries assessed, it was shown that:

- Strong country coordination supported synergies between funding streams. An important platform for fostering coordination was through national policy planning processes, including for joint climate-related strategy documents (e.g., nationally determined contributions (NDCs) or national adaptation plans (NAPs)).

QUICK FACTS

PUBLICATION DATE
April 2020

RELEVANT CIF PROGRAMS
Climate Investment Funds (CIF), including the Clean Technology Fund (CTF), Scaling Up Renewable Energy Program (SREP), Pilot Program for Climate Resilience (PPCR), and Forest Investment Program (FIP); Green Climate Fund (GCF); Global Environment Facility (GEF); and Adaptation Fund (AF)

EVALUATION FIRM
Arepo Consult

COUNTRIES VISITED
Four case studies: Kazakhstan (renewable energy), Cambodia and Namibia (adaptation and resilience), and Mongolia (sustainable energy)

To access full study, please click here or scan the QR code.

To access all CIF Evaluation and Learning publications, click here.

In collaboration with:

- Country investment planning, as piloted by the CIF, helped structure national climate initiatives and supported synergies between projects that are included in the plan, even if they are implemented by different entities.

- Strong engagement of organizations that served as champions helped leverage synergies. This included national direct access entities (DAEs) but also international entities and their local counterparts. Engaged in several funding streams, they generated efficiency gains, engaged individuals with longstanding experience and strong motivation, and fostered knowledge management and exchange of lessons learned on all levels.

Challenges related to in-country coordination, institutional capacity, and structural and administrative fragmentation frustrated efforts to align investments from varying climate funds. These included the following:

- Limited time, staff, and capacities at all levels.

- Fragmented responsibilities between the focal points for the various funds, multilateral development banks (MDBs), and the UNFCCC.

- A lack of systematic and publicly accessible knowledge management, which can make it more difficult for other project stakeholders to understand good practices, build on the successes of projects, and scale them up or replicate them in other contexts.

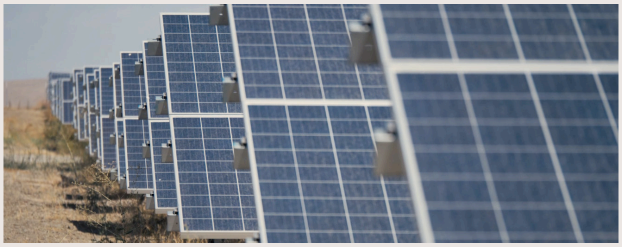
- Differences in climate funds' processes and procedures that can complicate efforts to blend or combine funds.

- Time gaps of typically one to two years that can arise between the end of one project and the start of its follow-up project.

- Missed opportunities on exchanging knowledge, know-how, and experience between entities, and even within them.

MAIN AVENUES FOR THE FUNDS TO EXPLORE

The study noted that climate funds provide different types of resources, which is a good opportunity for complementarity. The funds are different in scale and scope (including geographic scope and accredited agencies) as well as the level of concessionality. This complementarity is well recognized in theory. The **possibility to blend and combine different types of financing from different climate funds** should be explored further and communicated to implementing entities and country counterparts.



KAZAKHSTAN CASE STUDY: ACHIEVING MORE TOGETHER

From 2010-2015, investments from CIF and the European Bank for Reconstruction and Development (EBRD) helped lower regulatory and other barriers to clean energy development and establish the Kazakhstan Renewable Energy Finance Facility (KAZREFF). GCF has subsequently injected additional financing to help the Facility fund its oversubscribed project pipeline and accelerate the country's energy transformation. Today, KAZREFF is unlocking 600 megawatts of renewable energy capacity and is expected to prevent around 850,000 tons of carbon dioxide every year. The facility is helping Kazakhstan meet its target of 6% renewable energy generation capacity by 2025.

The funds should also explore **opportunities to maintain momentum by ensuring continuity of funding and avoiding long gaps between consecutive projects.** Countries, agencies, and the funds themselves can all benefit from greater transparency on project cycles, approval processes and policies, as well as the transferability of projects between the funds.

The funds should examine **ways to create conditions that enable governments to effectively coordinate climate initiatives.** Beyond the focal point support programs that are currently implemented by each fund, it would be helpful to support country structures that look at the integration of climate concerns into development policies, and the development of NDCs and NAPs into project pipelines.

The funds should also explore **ways to strengthen country investment planning and promote inter-ministerial committees** to coordinate the national response to climate change.

A culture of cooperation and cross-learning among the organizations implementing climate finance should be strengthened and fostered. Possible measures include information and training on best practice approaches to leverage synergies, asking for more concrete cooperation strategies in the project development stage, and increasing the sharing of delivery mechanisms.