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# **Strategic Approaches to Financing LEDS Implementation: Emerging Challenges and Insights**

**LEDS Global Partnership  
Plenary: LEDS Financing**

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E3G – Third Generation Environmentalism**

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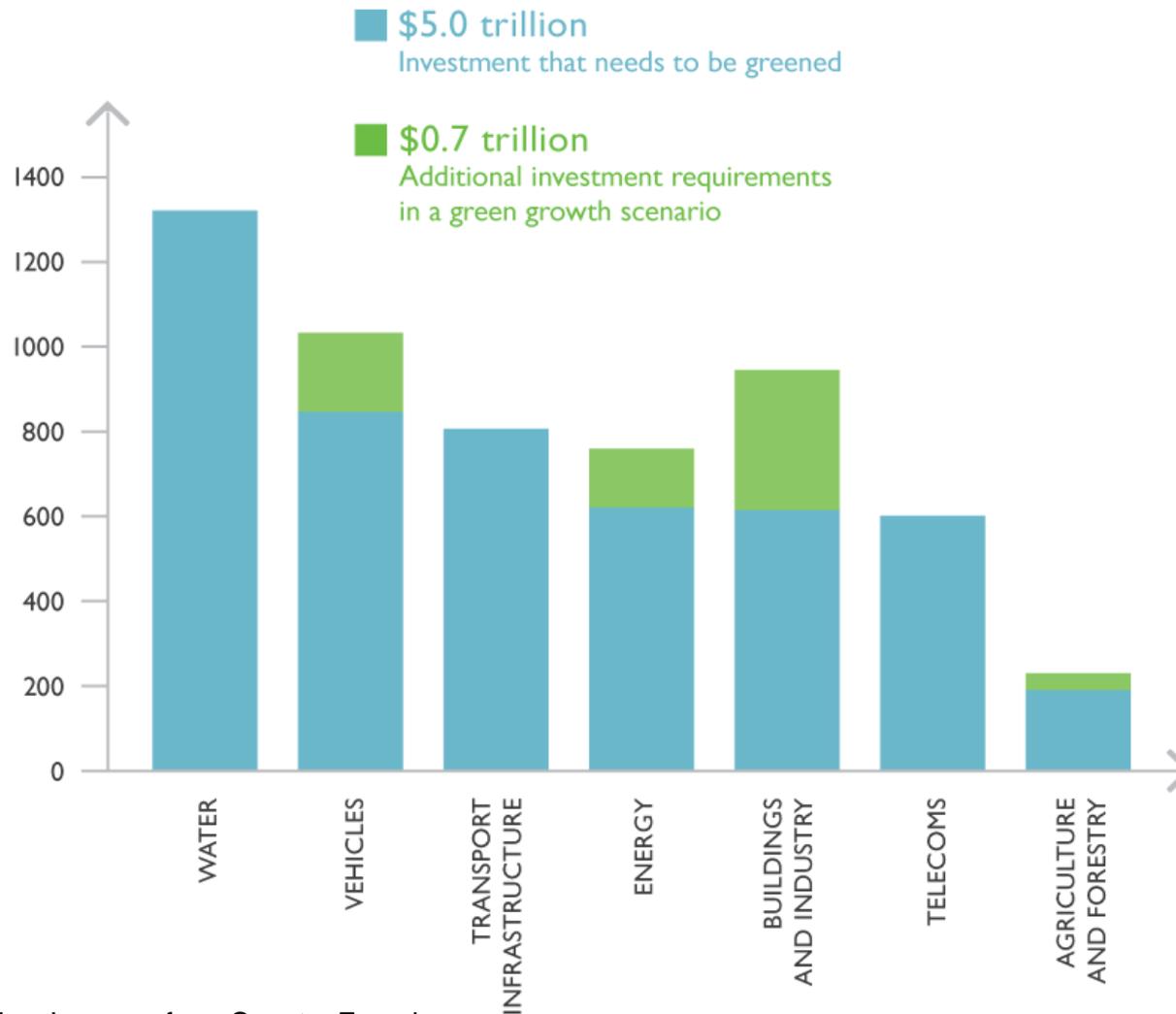
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# Challenges of LEDS financing

## 1. Scale and Rate of Transformation



# Challenges of LEDS financing

## 2. Understanding Risks

Conditions required for mobilising private investment for LEDS implementation



Need for understanding of the specific **risks** to financing LEDS implementation



Technology risks

Market risks

Capacity constraints

Policy and regulatory risks

Financial barriers

Scale of Investment Challenges

### Specific financial challenges within developing country context

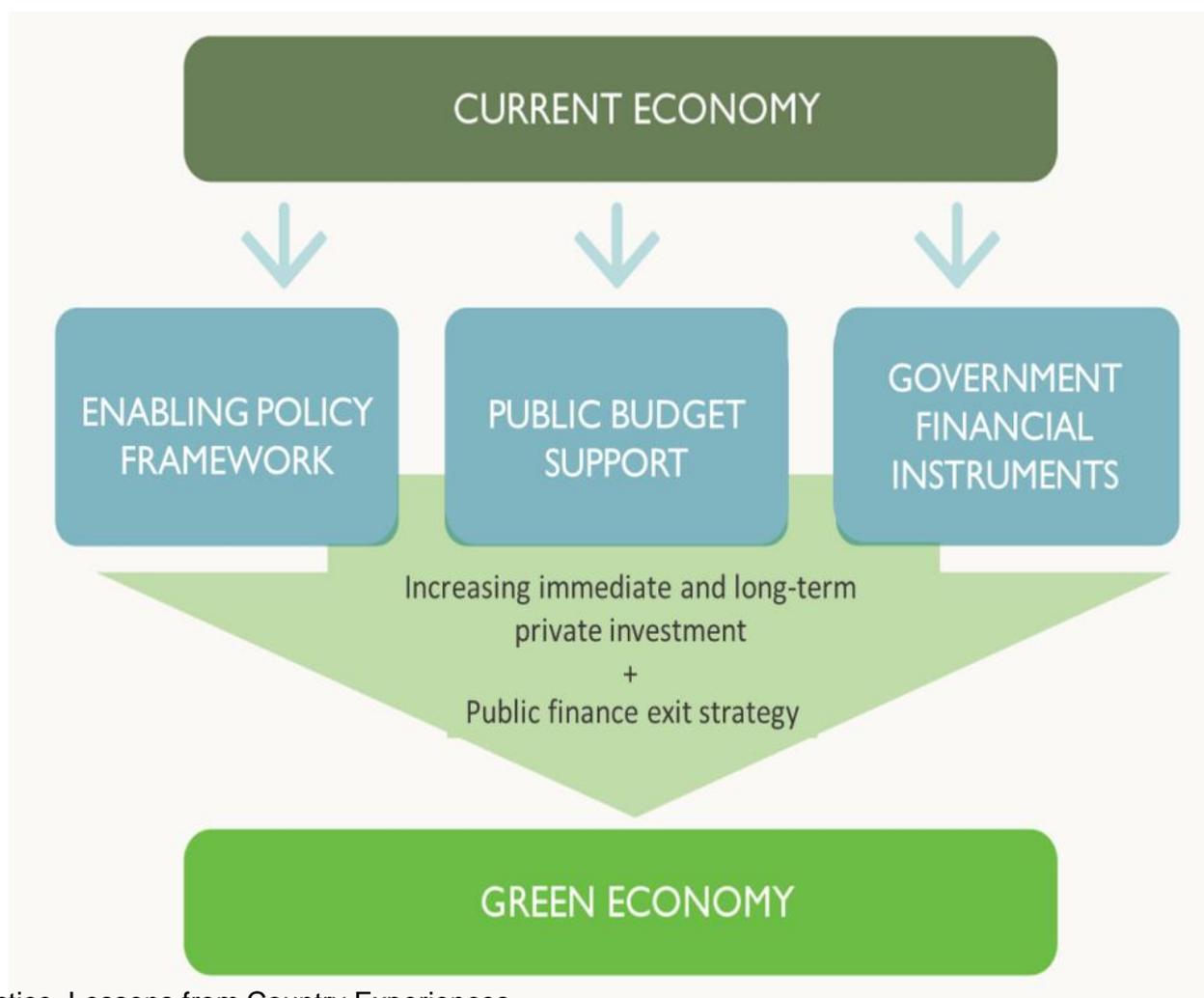
Scarce availability of capital for public investment

Poor credit-worthiness and lack of guarantees

Lack of access to appropriate forms of credit

# Need for a strategic approach to climate finance

## A holistic view



# Need for a strategic approach to climate finance

## Bridging supply and demand



International

**National Financing Pathways and Platforms  
that identify opportunities for use of climate finance  
to effectively mobilise public and private sources  
of finance**

Build Capacity of National Financial Institutions  
– State/Development Banks and hosts of Green  
Funds – that blend, direct and track domestic  
and international sources of finance

Facilities to create deal flow: develop pipeline  
of financeable projects

Market development facilities  
– national and regional

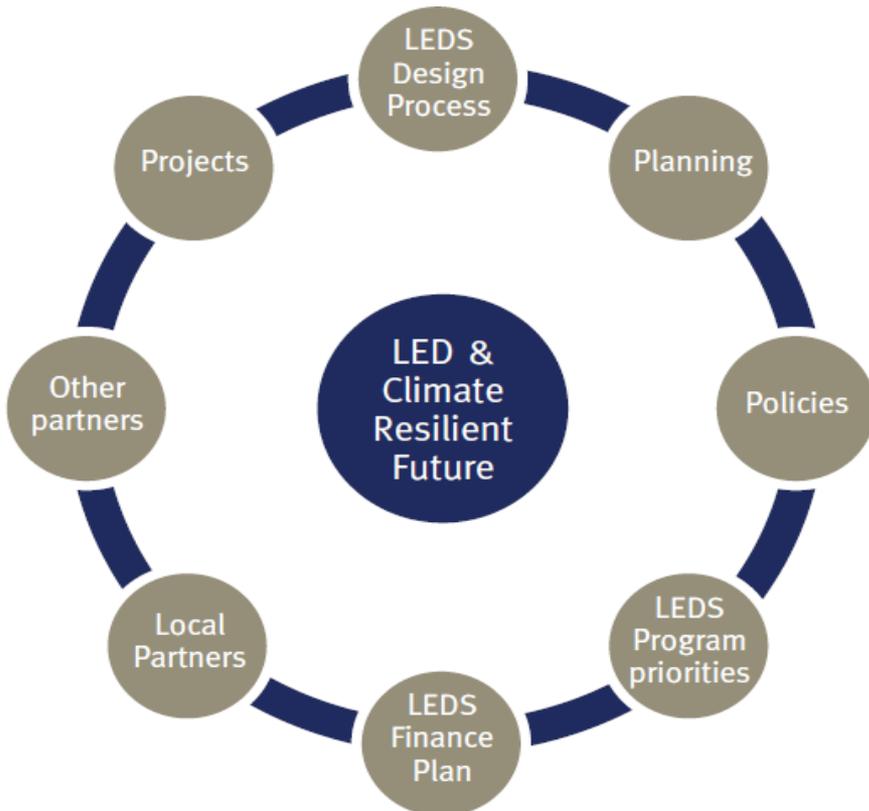
National

### **E3G's insights into a strategic approach of climate finance:**

- ✓ Mismatch international and national resources and expectations
- ✓ Potentially conflicting goals and limited public resources → importance of aligning public policy and public finance to mobilise all flows of finance
- ✓ Implementation of LEDS and climate resilience plans → strategic approach to mobilising resources in line with national development plans

# National Financing Strategies Tools and Instruments

Whilst there is no blueprint various tools may be useful for assisting countries in the design of strategic approaches to climate finance.



**Bridge the gap** between the design of climate change action plans and national budgeting and financial decision-making processes

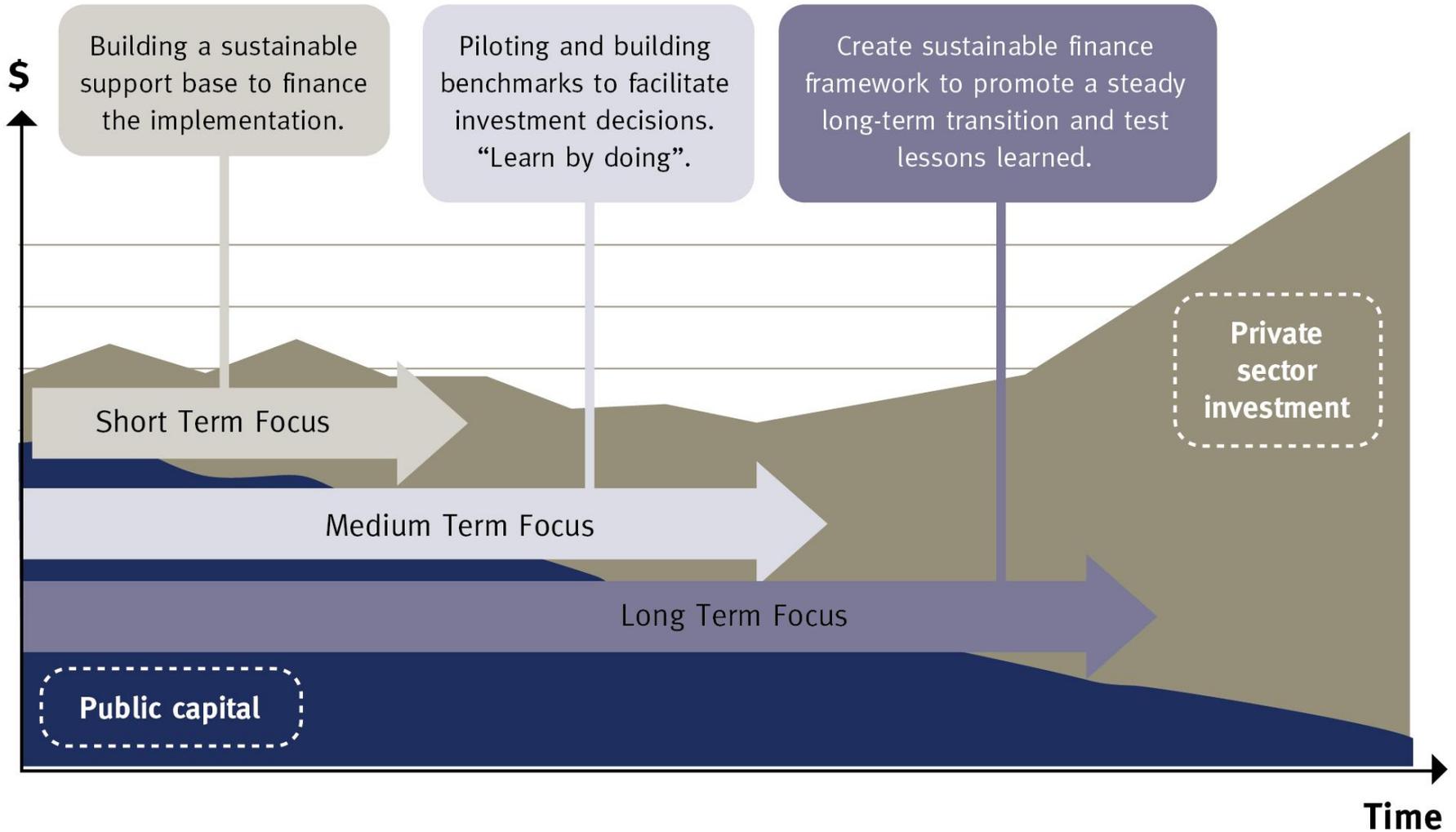
**Not a linear approach** → iterative process involving multiple decisions

Ongoing **dialogue with different stakeholders** important to ensure effective design and implementation of plans

Understanding **differing needs and circumstances** is essential → country specific approaches to national strategies for finance

# National Financing Pathways

## Short, Medium and Long – Term



# Emerging insights: Colombia, Peru and Chile



- **Colombia** focus on enhancing **institutional arrangements including a Climate Finance Committee** involving Government Ministries, national development banks and private sector
  - Importance of **coordination across Government and with key stakeholders** and build coherency domestic climate actions and international climate finance and cooperation
- **Peru** engaging local private sector to deepen understanding of national climate plan and potential investment opportunities and challenges. Role of national development bank for green investment programmes for small and medium sized businesses.
  - Importance of ongoing **engagement with national industries, private sector and domestic financial institutions** for implementation over the medium - longer term.
- **Chile** is implementing climate change mitigation and adaptation initiatives to mobilise scaled up investment by the private sector
  - Importance of an **enabling environment** is essential and can be framed through programmes that create an investable pipeline of projects



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# Insights and Learning

- The concept of National Financing Strategies or Pathways is dynamic and determined by **country specific priorities and circumstances**
- Yet **common challenges** which countries can benefit sharing of experiences on how to address these
- National Financing Strategies can bridge the gap between **country-led approaches** and differing international initiatives and sources of finance
- Strategic approaches useful for identifying and articulating **roles of different decision-makers within Government and the financial sector**
- **Create coherency between approaches for accessing resources e.g.** Green Climate Fund, NAMAs, TNAs, NAPs etc.
- Provide greater transparency and market signals to the private sector on the direction of travel and public resources available



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Detailed materials of E3G finance work can be found at  
[www.e3g.org](http://www.e3g.org)

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**THANK YOU**

