FINANCE INITIATIVE

PROGRESS REPORT 2016-2017

LEAD PARTNERS
Inter-American Development Bank, Nordic Environment Finance Corporation (NEFCO), UN Environment Finance Initiative, World Bank

IMPLEMENTERS
UN Environment Finance Initiative, World Bank, Frankfurt School - UNEP Collaborating Centre for Climate & Sustainable Energy Finance, Microsol

TOTAL BUDGET FROM THE COALITION: $1,647,577
TOTAL CO-FUNDING: $59,921

NOTE

This document presents results from the Climate & Clean Air Coalition’s Finance Initiative reported between July 2016 and June 2017. These results were recorded using the Demonstrating Impacts indicators, which have been approved by partners as the “common currency” to monitor and communicate impacts across the Coalition’s initiatives and workstreams.

Presented achievements are the result of collaborations between multiple stakeholders, including national governments and cities, international organisations, NGOs, research institutions and the private sector. Some are a direct result of activities funded or co-funded by the Coalition, while others are indirect achievements in which the Coalition’s actions played a catalysing role.

1The latest version of the Demonstrating Impacts Framework is accessible to partners here where the online tool to report new results is also accessible and open throughout the year.
DEMONSTRATING IMPACTS SUMMARY

OUTPUTS

1 POLITICAL OUTREACH EVENT
The initiative supported a Climate Finance Leadership Alliance meeting aimed at agreeing on the alliance agenda toward COP 24.

33 PERSON-DAYS OF TRAINING
The initiative supported conduction of three training on assessment of the relationship between cookstoves and SLCP in Latin America in Colombia, Mexico and Peru. It also organised a webinar on Climate Finance Opportunities for Cities & Investors.

OUTCOMES

1 STRENGTHENED INSTITUTION
Following stakeholder engagement activities by the initiative in Mongolia, the XacBank has increased its capacity to support clean energy investments.

$600,000 OF CATALYSED FUNDING
As a result of its increased understanding of clean energy investments, the XacBank is releasing $600,000 for retail loans to be used to the purchase the household energy appliances identified in the first round of the technology assessment.

NARRATIVE REPORT

SUMMARY

TARGETED TECHNICAL ASSISTANCE TO CCAC SECTOR INITIATIVES

The Finance Initiative has provided targeted support to the Municipal Solid Waste Initiative, providing expertise in reviewing the proposals submitted by cities. In addition, the initiative provided names of experts and whenever possible linked the MSWI with relevant networks (such as the Climate Finance Leadership Alliance) and project preparation facilities (such as SIF’s SOURCE).

The Finance Initiative organised a webinar for cities climate finance together with Climate KIC.

The HFC Initiative also requested support for Maldives for investors to proceed with a district cooling project (district cooling in three phases of 100 MW cooling each, with capital expenditures calculated at USD 108 for each phase). The Finance Initiative organised introductions with ClimatePlace (http://climateplace.ch) and with LTIAA Climate Task Force.
TARGETED TECHNICAL ASSISTANCE TO SMALL GROUP OF FINANCING INSTITUTIONS TO TACKLE BARRIERS TO SLCP FINANCE

Each of the three technical assistance activities has been launched, and MoUs have been signed with partner organizations:

▶ **Bangladesh**: Agreements have been signed with the project partner, IDCOL and an implementation plan has been agreed. In Bangladesh, the finance initiative has delivered the first tunnel kiln evaluation report to IDCOL. This report supports IDCOL’s evaluation tunnel kiln projects in Bangladesh to mobilise loan capital that had been locked due to internal technical limitations within the organisation.

▶ **Mongolia**: The project team along with the Finance Coordinator from the CCAC secretariat conducted a site visit and data gathering trip to Ulaanbaatar in May 2017. During the trip the team met with XacBank, conducted a stakeholder assessment and met with each of the relevant ministries, representatives from the mayor of Ulaanbaatar’s office, the Prime Minister’s Working Group to tackle air pollution in Ulaanbaatar, and other relevant programs. The team also conducted the preliminary technical appraisal and comparison into the potential technologies and suppliers of technologies that could be provided as part of the end-user, household energy loan facility. A second round assessment is underway after it was discovered that the facility would be ineffectual without a provision for household energy efficiency. Based on the initial findings Xacbank is releasing $600K for retail loans to be used to the purchase the household energy appliances identified in the first round of the technology assessment.

▶ **India**: A MoU and implementation plan has been agreed with project partner CBalance, India, confirming the scope and the timeline for the technical assistance. Work has begun on the regulatory and policy frameworks relevant to the project, mapping of stakeholders and relevant programmes in India, and to create a pathway of change for adopting sustainable cooling technology options using theory of change methodology.

▶ **Nigeria**: End-User Finance Solutions for Clean Technologies project kicked-off in Abuja. The UNEP-DTU team will develop a scalable, sustainable finance model for clean energy solutions in Adamawa state, Nigeria. The clean technology solutions in focus for the project are solar lighting and clean cookstoves. The finance models will address bottlenecks and barriers to SLCP finance and, specifically, build the capacity of critical financial institutions such as Standard Microfinance Bank. The project objective is to develop a pilot programme which could potentially be scaled throughout Nigeria.

MAINSTREAMING SLCP MITIGATION TO NETWORK OF 144 COMMERCIAL BANKS

UNEP-FI is planning regional roundtables (RRTs) with CCAC presence and is keen to explore a series thematic webinars to promote various abatement mechanisms and technologies to our membership in advance of the roundtables and, leveraging the work being carried out in cities. UNEP Finance Initiative is holding two sessions on finance and investment for air pollution mitigation at its regional round table meetings for Africa and Middle Eastern Financial Institutions in November and Asian financial institutions in December. The combined events will be attended by over 400 representatives from 100 commercial financial institutions across the two regions.
PREPARED AND SUBMITTED A CONCEPT NOTE AND DEVELOPED A PROPOSAL TO THE GREEN CLIMATE FUND

The UNEP-DTU team drafted a concept note for the replication of the World Bank Pilot Auction Facility (PAF) for methane and climate change mitigation for a regional facility for clean and improved stoves. The regional facility initially targets some African LDC countries that have clean cooking targets in their NDCs. The facility will have the potential for expansion to include other LDCs and eventually all African countries. The concept note is ready in draft and UNEP-DTU is collecting letters of non-objection from interested countries (Benin, Cote d’Ivoire, Nigeria, Senegal, Togo). DTU will revise the concept note with focus on LDCs. UNEP-DTU presented the concept to the West African Development Bank (BOAD) – The West African Development Bank is an accredited entity (AE) very active in Africa - and partners with UNFCCC in Lomé. The BOAD is an accredited entity to the GCF very active in Africa and interested in taking the concept it forward.

ROAD MAP FOR A CLEAN AND IMPROVED COOKSTOVES FOR THE LATIN AMERICAN REGION AND SUPPORT FOR A CLEAN AIR STRATEGY IN URUGUAY

Microsol organised training workshops in the countries on the relationship between SLCPs and cookstoves and will develop case studies based on the outcomes of the training.

HIGHLIGHTS

The Asian Development Bank became a partner in the Finance Initiative and started exchanging with the EIB and the World Bank on the SLCP stock-taking exercise.

The Finance Initiative was represented by either the Initiative Coordinator or UNEP-DTU at a number of technical workshops such as:

- World Bank Technical Workshop on Results Based Finance in Paris (31/05/2016)
- World Bank Monetising the Climate, Health and Gender Co-Benefits meeting in Amsterdam (23/06/2016)
- World Bank PAF meetings in Zurich (06/07/2016) and in Paris (28/06/2017)
- Africa Carbon Forum in Cotonou (28-30/06/2017)
- Cities Climate Finance Leadership Alliance (CCFLA) members meeting in Paris (12/07/2017)

CHALLENGES

Many developing country partners need technical assistance and capacity building to develop the enabling conditions and the projects that would help them plan for SLCP relevant strategies and projects and facilitate their access to funding streams outside the CCAC Trust Fund.
Under the current reporting period, the Coalition is developing a Finance strategy towards creating enabling conditions for scaled-up financing.

LESSONS LEARNED

As the activities haven’t been fully deployed, it is still too early to draw final lessons learned, but we can already formulate the following:

- Partner financial institutions have limited knowledge on the SLCP mitigating technology options, the local market and financing potential. Increasing awareness and knowledge on SLCP financing is key to unlocking financial flows from private financiers.
- Transition to SLCP mitigating/low-global warming technology options from baseline technologies will be challenging due to higher investment cost, weak supply chain, limited experience of the stakeholders and existing incentives that often subsidise baseline technologies. Having proper policy and financing mechanism in place as well as targeted capacity building programmes may address this challenge.

The Initiative will take stock beginning of 2018 once most of the ongoing projects have been finalized.

OPPORTUNITIES

A number of opportunities emerged during the reporting period:

- XacBank has been accredited to the Green Climate Fund.
- Some countries have cookstoves in their NDC and this is an opportunity to attract financing.
- The World Bank is developing a results based finance scheme for clean cooking which will integrate some of the co-benefits of improved stoves.