# TOWARDS A FRAMEWORK FOR SHARING COSTS BETWEEN FUNDERS AND RECIPIENTS

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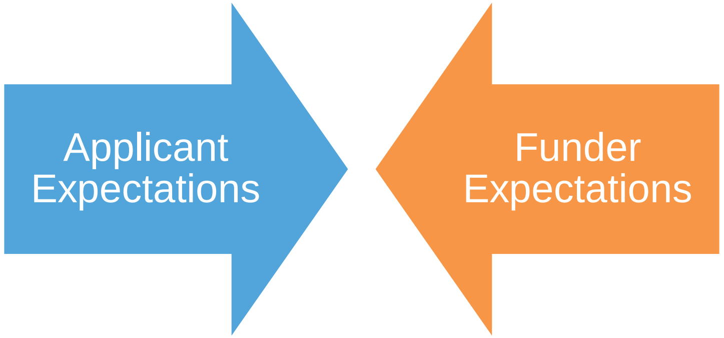
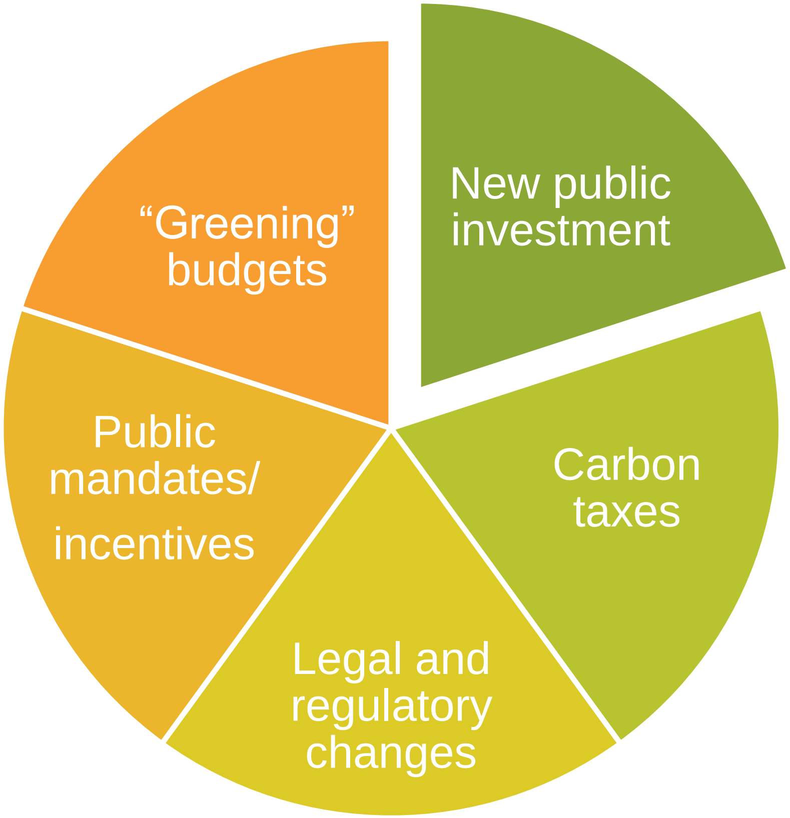
# WHY DISCUSS COST SHARING NOW?

- Most developing countries are expecting financial support as they implement their INDCs
- Concrete proposals will require:
  - Deciding for WHAT support will be requested
  - Deciding HOW MUCH to request (and on what terms)
- Climate finance institutions and donors are still refining approaches to providing support and mobilizing finance
- Even with agreed criteria, there could be various sources of controversy:
  - How to consider **eligible costs** (WHAT and HOW MUCH can be funded) and
  - How to consider **threshold questions** (UNDER WHAT CIRCUMSTANCES can funding be provided)

CCAP plans to work this year to help build a shared vision that helps align expectations, notably for the GCF



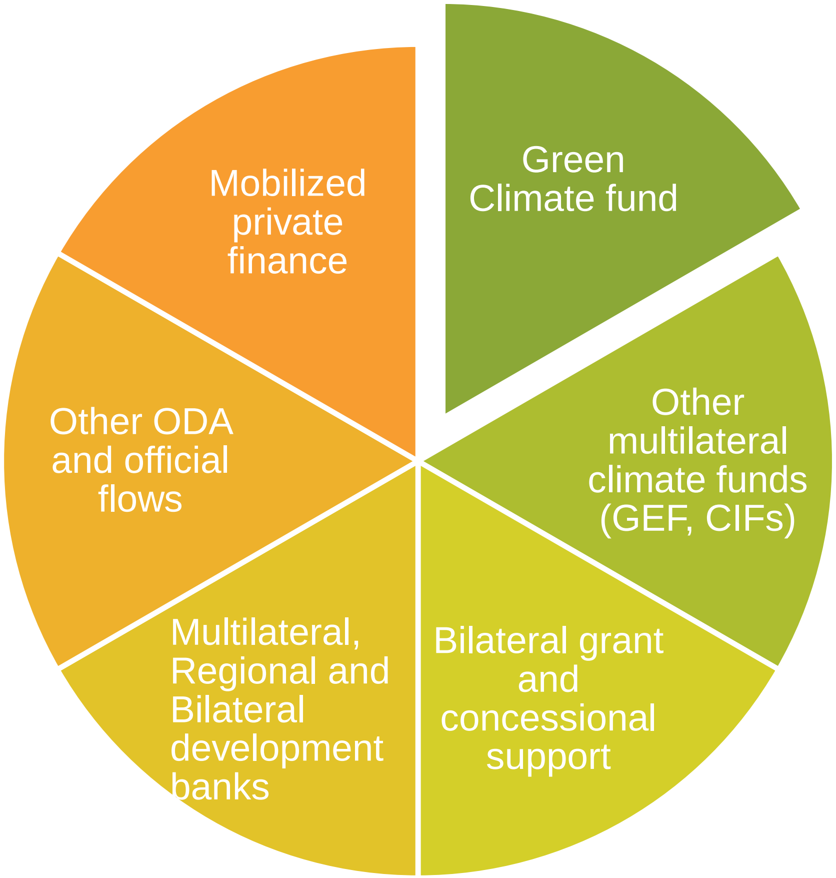
# REVIEW: DOMESTIC CONTRIBUTION CAN COME FROM SEVERAL PUBLIC AND PRIVATE SOURCES




- **"Greening" budgets:** Most countries make investments in their development that can be maladjusted to climate, but can be reworked, such as redeploying fossil fuel subsidies
- **Public mandates/incentives:** policies which make households and firms take mitigation efforts at their own expense (with or without incentives) can be a key source of "domestic contribution"
- **Legal and regulatory changes** can eliminate barriers to release pent up demand and leverage bank capital more efficiently to generate new investment
- **Carbon taxes** can create an incentive to change behavior and financial flows and can be used a source for public investment
- **New public investment:** specific new investments in programs and climate-friendly infrastructure will likely be needed for unilateral portions of INDCs

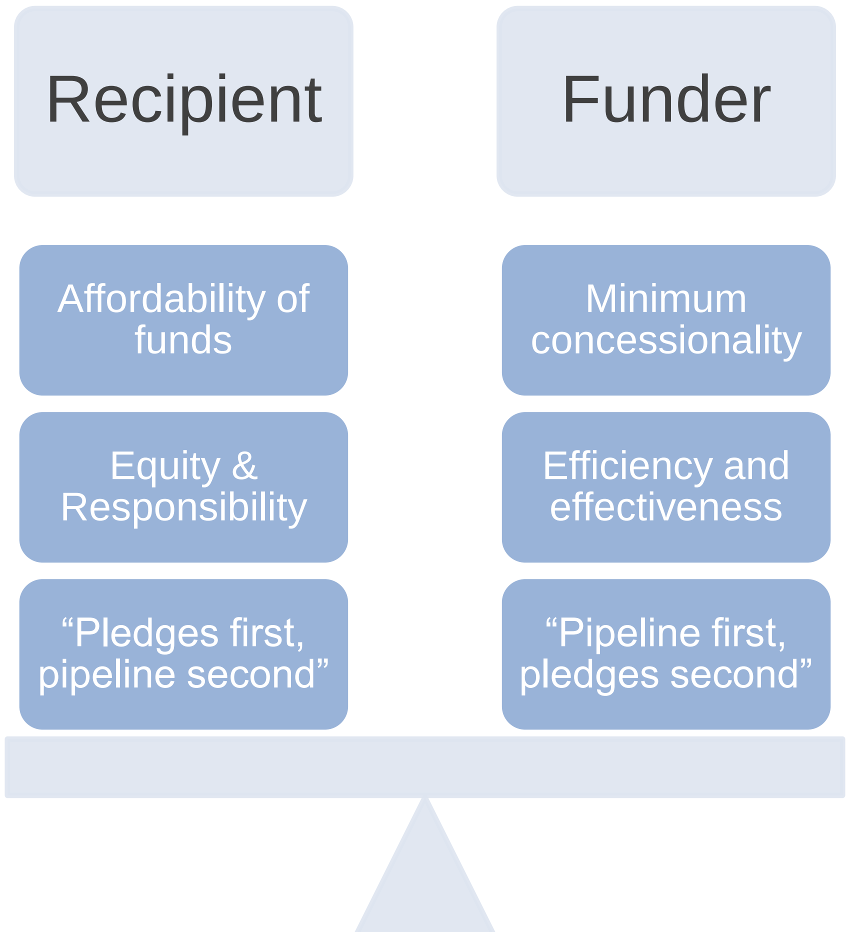
# INTERNATIONAL SOURCES OF FINANCE

- International Finance can come from several sources that can serve different financing needs, on different terms.
- An effective investment strategy will align these various climate and non-climate sources
- The Green Climate Fund (and other multilateral climate funds) can be used catalytically and to leverage other sources (international and domestic).
- A shared understanding how to address the **volume and terms** of such catalytic funding could facilitate effective and ambitious financing.



# BALANCING EXPECTATIONS ON COST-SHARING

**Examples of considerations in sharing mitigation costs**




- Funders and recipients have distinct interests
- This can lead to diverging views on views on “who pays” for climate change mitigation
- Understanding diverging points of view can help to build streamlined, constructive funding processes and manage expectations on both sides
- Some domestic contribution from recipients is required, but how much and for what?

# SHOULD CERTAIN FACTORS AFFECT THE LEVEL AND TERMS OF FINANCING?

- **Paradigm shift/Mitigation ambition:** Should the ambition of a country's INDC be considered?

- **Country buy-in/Level of domestic financing:** is there a minimal amount of domestic contribution that should be expected?

- **Effectiveness/efficiency:**

  - **Resource endowment and cost-effectiveness**: How should countries with higher abatement costs be considered for funding, versus countries with low-hanging fruit?

  - **Leverage/co-financing:** should proposals with more leverage/co-financing be prioritized?

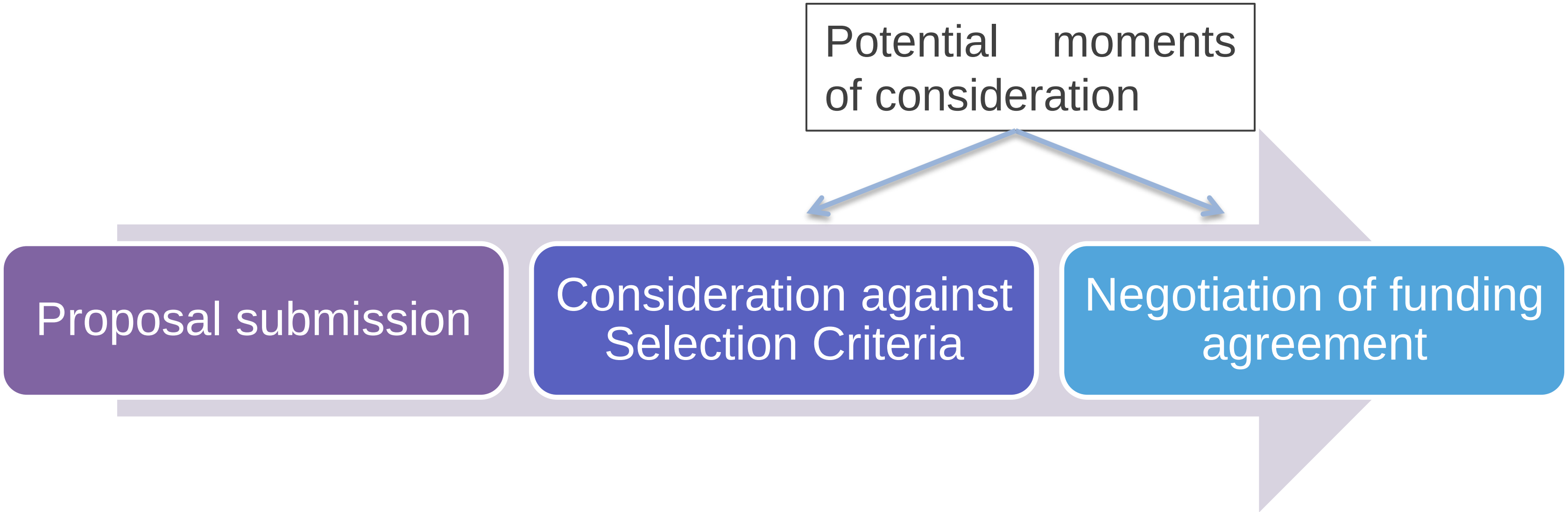
- **Sustainable Development:** How should mitigation that achieves sustainable development be considered? To what extent should co-benefits increase/decrease international support?

- **Need of recipient (Income)**: Should financing be less concessional for wealthier countries?

- **And what about incremental costs:** while formulaic approaches are challenging, does there need to be a demonstration that induced cost savings are accounted for?

# EXAMPLE: WHEN/HOW SHOULD NEED OF RECIPIENT (INCOME) BE CONSIDERED?

1. Concurrent with other selection criteria in integrated way
2. After, as a final screen, to determine level of concessionality.



# DISCUSSION QUESTIONS

- Do countries feel that it would be helpful to develop guidelines on cost-sharing based on the GCF selection criteria?
- How should cost-sharing be reflected in the assessment of the program against the selection criteria? Should it be done separately?
- How should a country's "domestic contribution" be evaluated?
  - For example, should one account for mandates in the same way as a country's budgetary spending when considering country ownership?
- Should financing institutions select projects as presented, or should a negotiation on costs and terms follow initial approval?
- **Do participants agree that more work should be done to bring recipients and funders together on these issues?**

# THANK YOU

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