FACT SHEET

CFAS Climate Finance Advisory Service

November 2016

Climate and Sustainable Development Finance – Twin Means of Implementation

1 Climate and development post-2015

Climate change impacts significantly affect areas which are key to achieving sustainable development and eradicating poverty, for example in areas such as food security, health, water availability, and poverty[1]. Scaling-up climate change adaptation and resilience building will thus be crucial for countries, in particular developing countries, to be able to achieve the SDGs, despite climate change. However, it is clear that not all impacts will be avoided and significant loss and damage is expected to occur, adding a development burden for many poor and vulnerable people and countries. Additionally, from an emission reduction perspective, there is the potential to harness significant synergies. On one hand, limiting warming to 1.5 degrees Celsius, envisaged by the Paris Agreement, could avoid significant adverse impacts, compared even to a 2 degrees increase.[2] Some studies have identified significant health benefits for countries if they scale-up the emission reduction ambition of their Nationally Determined Contribution (NDC).[3] Evidence suggests that, for example, the shift from fossil fuels to renewable energies could improve the health of many people and subsequently decrease the number dying from air pollution.[4]

[1] See e.g. IPCC, 2014: World Bank, 2014: Turn down the heat; World Bank, 2015: Shock Waves - Managing the Impacts of Climate Change on Poverty.; CDKN, 2015: The impact of climate change on the achievement of the post-2015 sustainable development goals

[2] See Schleussner, C. et al., 2016: Science and policy characteristics of the Paris Agreement temperature goal. http://www.nature.com/articles/nclimate3096.epdf?author_access_token=RexikyN5vxy3ugz-flUY7NRgN0jAjWel9jnR3ZoTv0OZIUAyrJekwZ4HMq3DtbGkVcyLY2h9bp31usCfC_u2h2g9dVxNGp7x5wx9RnALdQbHs8mUKSwWRZf1ZPgp9tzH

[3] See New Climate, 2016: Co-benefits of climate action: Assessing Turkey's climate pledge. https://newclimate.org/2016/10/20/co-benefits-of-climate-action-assessing-turkeys-climate-pledge/

[4] See e.g. UNICEF, 2016: http://www.un.org/apps/news/story.asp?NewsID=55439

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1.1 Climate change in the SDGs

Governments adopted the 2030 Agenda Action for Sustainable Development in September 2015 at a Heads of States and Governments summit in New York; this includes the Sustainable Development Goals (SDGs) covering 17 goals with 169 targets. Though the SDGs can be regarded as a successor to the Millennium Development Goals (MDGs), they are also quite different as they cover a much broader set of issues related to the environmental, social and economic dimensions of sustainable development. Most importantly, the SDGs are global, apply to all countries, and go much beyond a simple development aid agenda. Furthermore, governments agreed on the Addis Ababa Action Agenda of the 3rd International Conference for Financing Development, which can be regarded as the overall financial framework to implement the SDGs. The SDGs contain Goal 13 stating that countries must aim to "take urgent action to combat climate change and its impacts", underpinned by five specific targets in the areas of climate resilience, integration of climate into planning and policies, education for climate action, climate finance and capacity building.[5]

A number of targets in other goals also include explicit references to climate change, in particular regarding climate resilience/adaptation (e.g. Target 2.4 on sustainable food production and Target 11b on the number of human settlements with policies and plans including mitigation and adaptation). The preamble of the 2030 Agenda highlights the need to take urgent action on climate change and identifies climate change and stresses that its "adverse impacts undermine the ability of all countries to achieve sustainable development" (para 14). It also underlines the importance of the principle of "common but differentiated responsibilities" (para 12), amongst others, as a key fundament of the UNFCCC; this puts specific responsibilities on developed countries (and increasingly others) as, historically, the main causers of emissions. The 2030 agenda also highlighted the emissions gap towards "having a likely chance of holding the increase in global average temperature below 2 °C or 1.5 °C above pre-industrial levels" (para 31).

[5] UN, 2016: Transforming our world: The 2030 Agenda for Sustainable Development. https://sustainabledevelopment.un.org/post2015/transformingourworld

However, climate change is not fully mainstreamed across the various SDGs, and it still requires a translation task for governments in their national debates for the countries‘ sustainable development benefits, in particular, to withstand adverse impacts when it comes to integrating climate risks into all relevant areas.[6]

1.2 Sustainable development in the Paris Agreement

The Paris Agreement itself makes explicit reference to sustainable development. In the accompanying decision, which is part of the Agreement, countries welcome “the adoption of United Nations General Assembly resolution A/RES/70/1, Transforming our world: the 2030 Agenda for Sustainable Development, in particular its goal 13.”[7] Key parameters of the Paris Agreement highlight the context of sustainable development (see Box 1). Research released prior to Paris also highlighted that an ambitious Paris Agreement increases the ability of countries to reach the SDGs.[8]

The Paris Agreement entered into force and became international law on 4 November, a surprisingly rapid development which was broadly welcomed as maintaining political momentum. Ambitious implementation, in order to reach the goals of the Paris Agreement, is now the main task ahead; this will require massively scaled-up action to cut emissions, as current global ambition leaves a big ambition gap and puts the world on track for a disastrous 3 degrees, or more, increase this century.[9] Additionally, the Paris Agreement strengthens action on adaptation, reducing vulnerability and building resilience. A true global transformation towards almost zero emissions, and climate resilience must be started immediately.

Almost all countries submitted their Intended Nationally Determined Contributions (INDCs) in advance of the Paris conference, which can be regarded as high-level national plans outlining the key achievements that countries want to pursue in light of their domestic development contexts. Those from developing countries broadly address both mitigation and adaptation in key development areas, and also outline support needs for their implementation. From an implementation perspective, they provide an important opportunity to reconcile sustainable development and climate action on the national level (see Figure 1).

These two agreements - Paris Agreement and SDGs - are the expression of a growing step change in the debate about climate change and development, whereas the predecessor of the SDGs, the Millennium Development Goals (MDGs), lacked any coherent approach to climate change. The “agenda recognizes that ending poverty must go hand-in-hand with a plan that builds economic growth and addresses a range of social needs, while tackling climate change.”[10] At the same time there is no way to solve the climate crisis without finding solutions which actually contribute to sustainable development.[11] However, as implementation of both agendas has to start now, it is also important to identify, understand and assess less recognized practical linkages, such as the notion that a “richer, healthier, better-educated population is the best way to achieve transformational adaptation.”[12]

[6] See e.g. analysis by CARE/WWF, 2016: Twin Tracks - Developing Sustainably and Equitably in a Carbon-Constrained World. http://careclimatechange.org/publications/twin-tracks-3rd-edition/

[7] UNFCCC, 2015: Paris Agreement. Decision 1/CP.21. http://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf

[8] Ansuategi, A., 2015: Raising the ambition: How the global climate agreement can affect the achievement of the Sustainable Development Goals. http://cdkn.org/wp-content/uploads/2014/12/Raising-the-ambition-How-the-global-climate-agreement-can-affect-the-achievement-of-the-Sustainable-Development-Goals.pdf

[9] See e.g. UNEP, 2016: The Emissions Gap Report 2016: A UNEP Synthesis Report. https://newclimate.org/2016/11/03/emissions-gap-report-2016/

[10] UN, 2015: Summit Charts New Era of Sustainable Development: World leaders to gavel universal agenda to transform our world for people and planet. Press release 23 September 2015. https://sustainabledevelopment.un.org/content/documents/8331Curtain%20raiser%20PR_Sustainable%20Development%20Summit.pdf

[11] CDKN, 2015: The impact of climate change on the achievement of the post-2015 sustainable development goals. http://cdkn.org/resource/technical-report-climate-and-sdgs/

[12] Steele, P. 2015: Development finance and climate finance. Achieving zero poverty and zero emissions http://pubs.iied.org/pdfs/16587IIED.pdf

Box 1: Sustainable Development in the Paris Agreement: Selected key provisions

PA preamble: *Emphasizing* the intrinsic relationship that climate change actions, responses and impacts have with equitable access to **sustainable development** and eradication of poverty.

Art. 2.1: This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of **sustainable development** and efforts to eradicate poverty.

Art. 4.1: […] Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of **sustainable development and efforts to eradicate poverty**.

Art. 7.1: Parties hereby establish the global goal on adaptation of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change, with a view to contributing to **sustainable development** and ensuring an adequate adaptation response in the context of the temperature goal referred to in Article 2.

Overall, some soft linkages exist between the agreements, but to better understand the linkages with regard to finance, which is the main purpose of this paper, it is important to have a closer look at the key provisions and existing as well as potential future mechanisms for shifting and mobilizing resources to tackle this twin challenge.

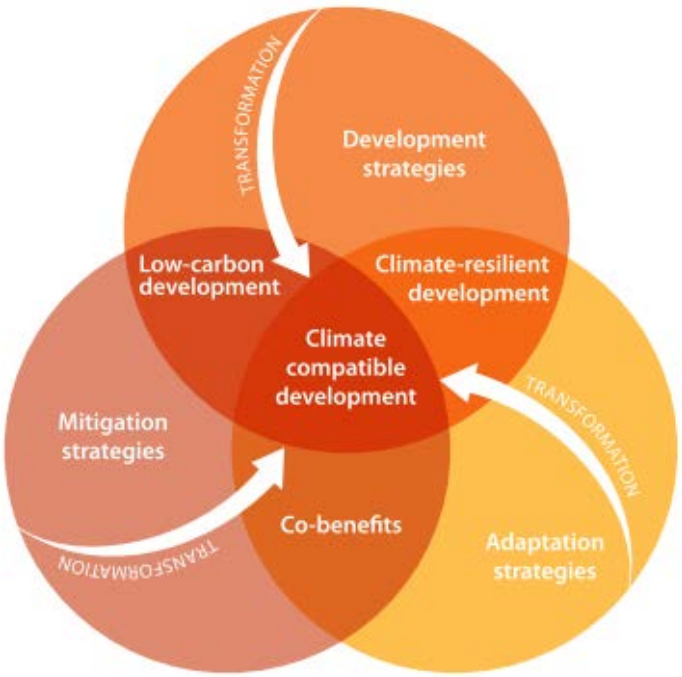


Figure 1: CDKN, 2016[13]

2 The climate and sustainable development finance landscape

2.1 Climate finance needs

Numerous estimates exist of the investment and incremental costs of certain climate action trajectories for developing countries and provide some direction on the order of magnitude required.

Regarding mitigation, investments in renewable energy sources and energy efficiency to shift away from fossil fuels are obviously crucial. Some work by the International Energy Agency (IEA) sees investment needs in the energy sector of ca. USD 800 billion by 2020 rising to USD 2 trillion per year by 2030 in a 450 ppm scenario (relatively weak 2 degrees scenario).[14] The costs for a 1.5 degrees C scenario are expected to

[13] CDKN, 2016: Climate compatible development: pathway or pipe dream? Centre for Policy Dialogue Anniversary Lecture, 2015 http://cdkn.org/wp-content/uploads/2016/06/CDKN_OpinionPaperPr3Final_WEB-2.pdf

[14] IEA (2014). World Energy Investment Outlook. Special Report. OECD Publishing; International Energy Agency, Paris. https://www.iea.org/publications/freepublications/publication/WEIO2014.pdf, page 44.

be significantly higher, with a factor 2 or more.[15] Regarding adaptation, the work undertaken by UNEP points to significant costs of adaptation in the next decades, partially depending on the future temperature increase and climate impact trajectories. This estimates additional costs for all developing countries in the order of USD 130 to 300 billion per year by 2030, and USD 700 billion to 1.5 trillion per year by 2050.[16]

The INDCs are the most recent and, politically, most relevant expressions of the actions countries want to take and use to speak to specific development challenges included in the SDGs.[17] Many of the INDCs (overall ca. 73%), almost all those from developing countries, contain conditional elements whose implementation will be dependent on support provided and other forms of resource mobilization. Additionally, various INDCs provide financial cost and support assessments. According to a recent research paper, 57% of the conditional INDCs include estimates of quantified financial needs for the implementation of planned actions, whereas over 40% have not specified financial needs or have only done so in a very general manner.[18] The indications, provided in the conditional INDC's investigated (conditional and unconditional elements), sum up to over USD 4 trillion with roughly USD 2 trillion assessed for mitigation actions, over USD 600 billion for adaptation and ca. USD 2 trillion unspecified.[19] It is estimated that the sums amount to over USD 300 billion per year.

Of course, all of these estimates come with various methodological caveats, including the uncertainties from climate change impacts or economic development pathways, the development of technology costs, etc. Additionally, the mitigation cost estimates do not usually factor in avoided costs of climate change impacts, nor are sustainable development co-benefits adequately taken into account. Regarding the INDCs, no common methodology has been established, and often the foundation for the given figures is not clear. Different timeframes are being used and there is a lack of a clear distinction between international finance and national sources, as well as between overall investment needs vs. incremental costs.

2.2 Climate finance architecture post-Paris

The Paris Agreement builds on a climate finance architecture which has emerged over several years of UNFCCC work, and which regards the mobilization of financial resources as a key means of implementation to deliver on the Paris Agreement's central objectives. Overall, it continues to work with existing institutions, such as the Global Environment Facility (GEF) and the Green Climate Fund (GCF), and does not intend to set up new ones. The Paris Agreement's provisions on finance, in particular Article 9:

- Signals the objective to make all financial flows consistent with low-emission and climate-resilient development pathways, through Article 2.1c;
- Reaffirms the Developed countries' goal to mobilize USD 100 billion annually by 2020 for climate action in developing countries, which has been extended by the Paris Agreement until 2025, while maintaining the lead responsibility for developed countries;
- Encourages other Parties to provide voluntary support;
- Ensures finance mobilization and support is enshrined in the long-term through the Global Stocktake.

The Green Climate Fund's main goal is to promote low-emission and climate-resilient development pathways "in the context of sustainable development," and it is regarded as central under the Paris Agreement. Its intervention logic and key indicators have clearly built in aspects of sustainable development beyond just climate change, e.g. through adaptation result indicators which aim to assess the contribution to climate resilience in areas such as health, food

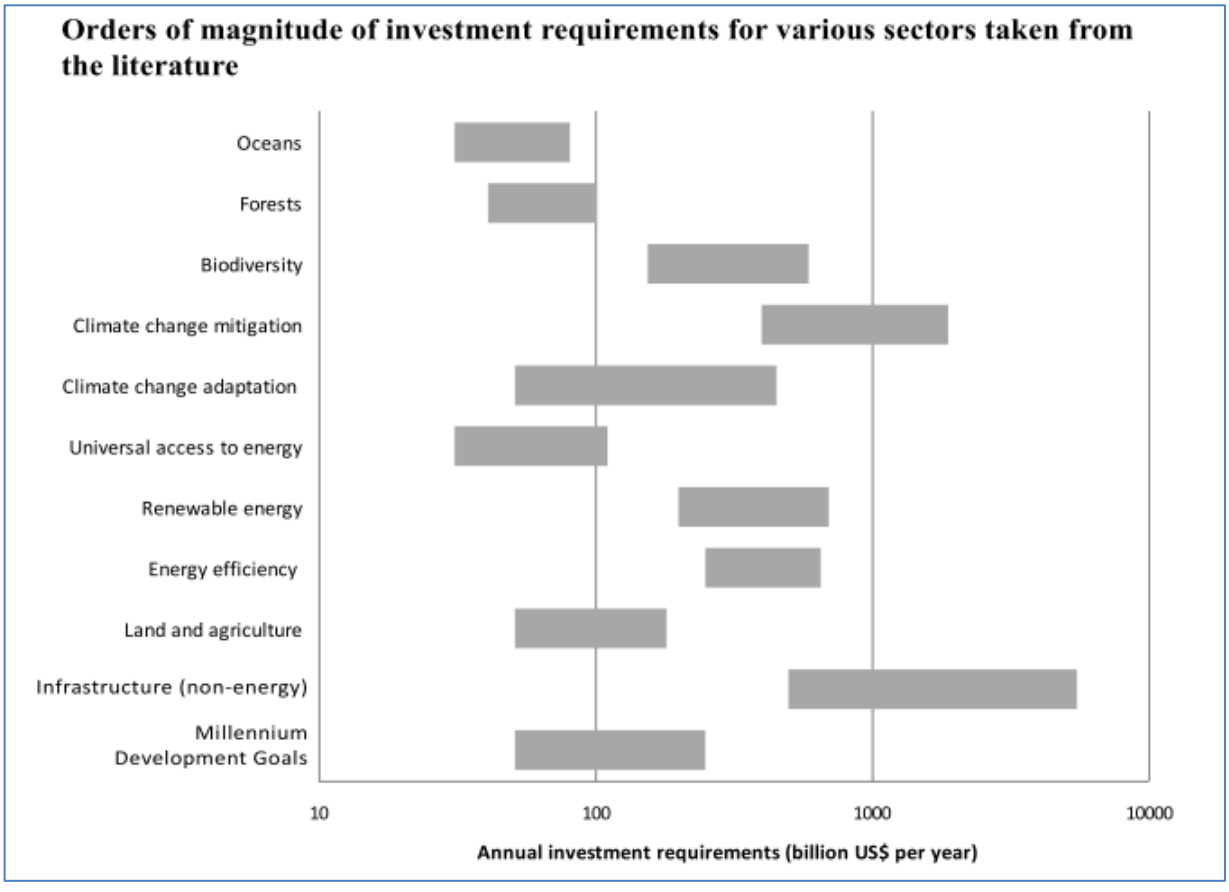
[15] Based on Rogelj, J. Et al., 2015. Energy System Transformations for Limiting End-Of-Century Warming to Below 1.5°C, *Nature Climate Change*, 5(6), pp. 519–527.
[16] UNEP, 2016: 2016 Adaptation GAP Report. http://web.unep.org/adaptationgapreport/2016
[17] UNFCCC, 2016: Synthesis report on the aggregate effect of intended nationally determined contributions. http://unfccc.int/resource/docs/2016/cop22/eng/02.pdf
[18] Germanwatch, Perspectives, 2016: Investing in Ambition: Analysis of the financial aspects in (Intended) Nationally Determined Contributions. https://germanwatch.org/en/12211
[19] Ibid.

security, water etc.[20] With its currently ca. USD 10 billion resources available (and potential additional future resources), the GCF has the potential to initiate transformative action, which, however, is not a given.[21] Overall, financial support to developing countries remains a key issue – with a lack of clearer, quantified commitments beyond 2020 – but is more than ever before embedded in the larger picture of the need to shift financial flows and to integrate climate risks, as well as mitigation needs, into all investments.

2.3 Sustainable development finance needs estimates

Assessing the costs of reaching the SDGs is challenging; reasons include the vagueness of several SDGs and the multiple uncertainties involved in investing in such a broad set of issues. From a global policy perspective, it is also important to distinguish between overall investment needs, incremental costs, and public finance support needs in poorer developing countries. Other challenges referred to include the perception that governance issues might be more relevant than investment needs; failure to consider absorptive capacity constraints; and the limited usefulness of global estimates compared to national level estimates.[22] One "advantage" compared to the whole climate finance debate is that the timeframe of 2030 is relatively foreseeable, in contrast to e.g. climate change cost estimates related to different temperature scenarios. Therefore, estimates in different areas usually work with ranges of investments.

Fig. 2: Investment requirements for various sectors.[23]



[20] GCF, 2014: Results Management Framework. http://tinyurl.com/zpbkk7m

[21] Cheikrouhou, H., 2016: From the SDGs to the Paris Agreement– GCF is a Facilitator of Change (2016): http://bit.ly/2eEm9iy

[22] Schmidt-Traub, G., 2015: Investment Needs to Achieve the Sustainable Development Goals - Understanding the Billions and Trillions. http://unsdsn.org/wp-content/uploads/2015/09/151112-SDG-Financing-Needs.pdf

[23] Report of the Intergovernmental Committee of Experts on Sustainable Development Finance. Page 10. http://www.un.org/esa/ffd/publications/report-icesdf.html

The adoption of the SDGs clarifies the boundaries for such assessments only to a limited extent. But some studies are already available, which aim to discuss the investment requirements (see Box 2).

Box 2: Investment and cost estimates

"This preliminary analysis of available sector studies shows that incremental spending needs in low- and lower-middle-income countries may amount to at least $20131.4 trillion per year ($343-360 billion for low-income countries and $900-944 billion for lower-middle-income countries). Over the period this corresponds to some 4% of these countries' GDP measured in $ PPP and 11.5% of GDP in US dollars at market exchange rates. Approximately half of these investments in the SDGs can be privately financed. Domestic resource mobilization can increase significantly leaving an external financing gap of perhaps $152-163 billion per year (equivalent to 0.22-0.26% of high-income countries' GDP) that must be met through international public finance, including Official Development Assistance. Globally an incremental 1.5-2.5% of world GDP needs to be invested each year by the public and private sectors to achieve the SDGs in every country."[24]

2.4 Sustainable development finance architecture

Given the comprehensiveness of the SDGs, it is no surprise that there is not (yet) one sustainable development finance architecture, although many elements exist, including specialized funds such as the Green Climate Fund or the Global Fund to fight HIV/Aids, Tuberculosis, and Malaria (GFATM). Rather, financing the SDGs has to be regarded as a broader framework which needs to mobilize and shift huge resources from multiple sources in multiple sectorial areas. Yet, there is a need for establishing such an "institutional architecture that can deliver the development agenda" and for "mobilizing adequate financial and other resources."[25]

The SDGs, at the core of the 2030 Agenda, contain a number of relatively vague targets addressing the mobilizing of financial resources, most notably targets 10b (inequality and resource mobilization), 13a (climate finance), 15a and 15b (resources for ecosystem protection), and 17.2 and 17.3 (overall mobilization of resources). The work by the Inter-Agency and Expert Group on Sustainable Development Goal Indicators has partially provided a clearer direction of what indicators should be considered under these targets.[26] The way that the climate finance target (13a) eventually came together needs to be seen in the context of the discussion pre-Paris, serving (back then), as the lowest common denominator restating and re-enforcing existing commitments under the UNFCCC. The GCF received particular attention in the SDG climate finance target.

The Addis Ababa Action Agenda (AAAA) serves as the overarching political framework for mobilizing finance for the implementation of the SDGs. The AAAA includes references to climate change as a global challenge, impacting vulnerable communities (paragraphs 3, 65, 103), as well as to the UNFCCC and COP21 (paragraph 59), the Green Climate Fund, a 50:50 balance between finance for adaptation and mitigation (paragraph 61), and to development finance being climate-resilient (paragraph 62).[27]

Gaps identified by observers[28] include:

- Clarity on funding sources to implement the AAAA and the wider post-2015 development framework;
- Additional financial commitments by developed and other capable countries;

[24] Schmidt-Traub, G. 2015: Investment Needs to Achieve the Sustainable Development Goals - Understanding the Billions and Trillions. http://unsdsn.org/wp-content/uploads/2015/09/151112-SDG-Financing-Needs.pdf

[25] Bhattacharya, D. et al, 2016: Moving forward with the SDGs - Implementation challenges in developing countries (2016): http://library.fes.de/pdf-files/iez/12673.pdf

[26] See http://unstats.un.org/sdgs/indicators/indicators-list/

[27] See CARE/WWF, 2016: Twin Tracks - Developing Sustainably and Equitably in a Carbon-Constrained World. http://careclimatechange.org/publications/twin-tracks-3rd-edition/

[28] Ibid.

- Clarity on the relationship between climate and development finance, including agreed definition of additionally;
- Establishment of new finance sources which can support both sustainable development and climate action (such as international transport);
- Commitment to phase out all fossil fuel subsidies.

First steps towards the monitoring of the AAAA are under way. The UN Secretary General has started to convene an Inter-Agency Task Force to report annually on progress in implementing the Financing for Development Outcomes and the means of implementation of the 2030 Sustainable Development Agenda.[29] This task force is supposed to look at:

- Key cross-cutting initiatives that build on the synergies of the SDGs;
- Domestic public resources;
- Domestic and international private business and finance;
- International development cooperation;
- International trade as an engine for development.

The inaugural report also addresses climate change finance. It is not surprising that the task force will base its "monitoring in this area […] on information and data collected in the context of the UNFCCC."[30] This includes regular reports by developed countries on the finance provided and the so-called biennial assessment of climate finance flows (led by the UNFCCC Standing Committee on Finance). Additionally, this will require a closer cooperation between different UNFCCC institutions as part of a coordinated strategy to assist countries taking action on SDGs and climate change, and finding ways to mobilize the required resources, including through public financial support from developed countries.

3 Tasks ahead for a coordinated approach to SDG and climate finance

The linkages between these different international policy agreements provide sufficient mandate to work towards synergetic ways of addressing the financial needs and, most importantly, the sustainable development and climate change challenges require determined and integrated action on the national level for the benefit of the people and the planet. In order to take concrete steps to tackle the twin challenge of climate change and sustainable development, this paper outlines some key tasks ahead. It will do so by applying the structure proposed in "Seven ideas to finance the SDGs".[31]

3.1 Get everyone on board (governments, companies, foundations, individuals)

Both climate change and sustainable development affect everyone, and everyone can and should make contributions. This does not mean that everyone has the same responsibility. Of course, governments continue to play a key role in setting the frameworks that are necessary to trigger and accelerate transformative steps, also in light of the different responsibilities and capacities to address climate change that different countries bring to the table. But, more than ever before, the multiple actors involved are being recognized. It is necessary that they incentivize the necessary shifts in investments and financial flows, mobilize additional resources and delivering on the crucial ambition to "leave no one behind" and, therefore, also address the needs of the poorest and most vulnerable. Both agendas have initiated processes to bring together multiple stakeholders and trigger concrete action initiatives. Getting various actors on board is also key to be able to draw on all forms of finance (domestic and international, public and private, environmental, and developmental) which is regarded as essential for SDG implementation.[32] It will be essential to bridge institutional silos, including

[2929] Addis Ababa Action Agenda - Monitoring Commitments and Actions (2016): http://www.un.org/esa/ffd/wp-content/uploads/2016/03/Report_IATF-2016-full.pdf

[30] Ibid., p. 80

[31] Larsson, N., 2016: Seven ideas on how to finance the SDGs (2016): https://www.theguardian.com/global-development-professionals-network/2016/jan/26/eight-ideas-how-fund-sdgs-sustainable-development

[32] Clark, H., 2016: Sharing the tools for development: http://www.sustainablegoals.org.uk/sharing-tools-development/

those within governments and organizations, but also on the international (UN) institutional level, as only a more integrated approach will be able to harness the synergies between climate and sustainable development action, including for effective NDC implementation.

3.2 Focus on domestic resources

The Sustainable Development Goals are a global agenda and, from a mitigation perspective, actions need to happen in countries where there is no principle lack of resources, but also in which they are not yet sufficiently invested into the areas and activities needed. Thus, shifting and mobilizing domestic resources is a key task to achieve the SDGs and the climate goals. With the strong role of financial support to poorer countries that the Paris Agreement reaffirms, along with provisions in the 2030 Agenda, it is also clear that public finance resource transfers can, and must, play a key role to incentivize the mobilization and reorientation of domestic resources. Instruments such as the GCF can support such policy frameworks.

3.3 Recognizing the importance of the private sector

It is important that the private sector is a societal element which has a strong responsibility for shifting practices towards ways that are conducive to the SDGs and the Paris Agreement goals, but also is a potential source of resource mobilization is widely recognized. Of course, the private sector is diverse and consists of millions of diverse entities globally, with different roles, powers, and interests. Incentivizing and forcing investment shifts by the private sector will be a key role for governments to accelerate the necessary transformation and to promote the development of appropriate solutions. However, it will also be important to draw on lessons learnt, to actively address trade-offs, and to ensure that the poorest and most vulnerable are not left behind and harmed by potentially false solutions when it comes to government incentives and regulations, as well as concrete cooperations such as public-private partnerships.[33] Instruments, such as the GCF, can also harness private sector involvement in a way that involves and strengthens the experience and capacity of domestic small and middle-income enterprises, as envisaged through the Private Sector Facility.

3.4 Accountability

Accountability on financial matters continues to be a key issue, not only of political trust, but also to understand whether what is labelled as paradigm shifts also results in concrete changes on the ground. Accountability stretches from more technical aspects, such as accounting finance and monitoring and evaluation of initiatives undertaken, to mobilizing citizen accountability efforts to generate bottom-up evidence on what works and what does not. Agreements on principles, such as respect and fulfillment of human rights, promoting gender equality, etc., which are referred to both in the SDGs as well as in the Paris Agreement, provide key parameters for an adequate accountability framework for investments.

In the UNFCCC, agreeing and advancing on methodologies for accounting climate finance will be on the agenda of COP22. A continued issue of debate and controversy is how to account climate finance vs. development finance, where current practice sees most climate finance being counted towards the ODA commitments of developed countries.[34] However, it is also well known that climate change impacts – both their loss and damage and adaptation costs to minimize and avert impacts - will impose additional costs on resource-constrained developing countries. For example, mitigation finance for middle-income countries, if counted towards the ODA commitments, may be crowding out core poverty reduction and finance for other core SDGs.[35] Accountability also points to the older problem of the distinction between public and private funds in accounting the delivery of financial commitments in light of the scale of financial needs.[36] The UNFCCC work on accounting

[33] Sachs and Schmidt-Traub discuss some of the opportunities and challenges with PPPs: http://unsdsn.org/wp-content/uploads/2014/02/130316-Development-and-Climate-Finance.pdf

[34] See Khara, H., 2015: Aid and Climate Finance. https://www.brookings.edu/wp-content/uploads/2016/08/global_20160818_aid_climate_finance.pdf

[35] Steele, P., 2015: Development finance and climate finance. Achieving zero poverty and zero emissions http://pubs.iied.org/pdfs/16587IIED.pdf

[36] See Sachs, J; Schmidt-Traub, G. 2013: Financing for development and climate change post-

methodologies, therefore, provides an opportunity to advance on a transparent, effective system.

3.5 Considering large scale public financing in the form of grants

Though some areas and activities are more suitable to raising and attracting private sector funding, it is overall undisputed that large scale public financing, in the form of grants, will be required to achieve the transformative steps at the pace required. The need to "increase the volume of international public finance to support climate-resilient SDG achievement" has also been highlighted.[37] The provisions of the Paris Agreement, in principle, reaffirm this, but they lack clear quantified commitments at the scale needed, and beyond 2020 much remains open in terms of the scale of public finance. Establishing innovative instruments, which generate quasi-public finance, e.g. through direct support to multilateral or national climate change funds, are one mostly unexploited tool to deliver on this need. The Green Climate Fund, with its explicit mandate to also provide grant finance (in particular for adaptation), along with other multilateral and bilateral grant support, is a potential key channel for synergetic activities.

3.6 Finding the appropriate source of finance for each goal and country-specific funding

Both agendas have highlighted the need to mobilize finance from multiple sources, this included debates about the introduction of innovative sources that could generate truly additional resources. In the UNFCCC context, some years ago, the High level Panel on climate finance assessed the potential of instruments, such as carbon levies and generation of revenues from international maritime and air transport.[38] Such instruments have also been referred to for funding sustainable development activities and global public goods. However, specialized sources are also relevant, as some of the challenges of integration may vary from sector to sector, or from SDG to SDG. Integrating climate change into agricultural policies, for overcoming hunger and promoting sustainable agriculture, may face different challenges than promoting a climate-compatible energy system. Furthermore, reducing or phasing-out resource flows which act counter to the global goals – such as fossil fuel subsidies – is another important task ahead.

2015: Draft for Discussion. http://unsdsn.org/wp-content/uploads/2014/02/130316-Development-and-Climate-Finance.pdf

[37] Steele, P. 2015: Development finance and climate finance. Achieving zero poverty and zero emissions http://pubs.iied.org/pdfs/16587IIED.pdf

[38] See e.g. discussion on loss and damage finance: UNFCCC, 2016: Information paper on best practices, challenges and lessons learned from existing financial instruments at all levels that address the risk of loss and damage associated with the adverse effects of climate change. http://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/aa7_d_information_paper.pdf

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