Minutes of the first technical expert dialogue, March 24-25, 2022

Hiba Baroud, Vanderbilt University

Day 1 - March 24, 2022

<u>Session 2: Lessons learned from mobilization of climate finance (14:00-15:30)</u>

[15:00 onward… missed the first 1 hour]

Eric Usher:

- The financial sector is looking for science for solutions.
- There is a need to explicitly define climate finance to facilitate communication across industry sectors.
- Finance is only an enabler, and we should focus on investment and not only finance.
- How do we translate commitments to actions to make it about how we do business today.
- Every country has National Determined Contributions (NDCs) and there is a financial sector (e.g., green bonds) – the entire portfolio on how to mobilize so that all bonds are green. How to mobilize to close the gap between what the needs of NDCs are and what the financial sector can provide?

Norbert Gorissen

- We must provide hedge funding for exchange rates.
    - E.g., providing loans in local currency to facilitate domestic private finance.

Amal-Lee Amin

- The development needs should drive finance and investment plans.

Abhishek Acharya

- India has a taken a series of policy measures to mobilize domestic resources (e.g., joining international sustainable platforms).
- Domestic initiatives are not considered climate finance because these are coming from India's government budget which is used for mitigation and adaptation.
- The mobilization responsibility falls on the developed countries to provide for underdeveloped countries.
- Private finance hinges on risk-reward principle, e.g.:
    - Ensuring adaptation actions which are now ignored,
    - Stronger call towards private finance and provision.

<u>Breakout Group Session 2 – Lion 1 (15:30-17:00)</u>

- More attention is needed on guidance to mobilize funds from developed to developing countries.
- The needs of developing countries must be considered instead of a unilateral approach to set finance goals.

- Climate “mobilization” must be explained in the context of implications and budgetary constraints of developing countries.
- There must be a mechanism to ensure the delivery of climate finance before 2020 (e.g., NDC commitments).
- Need to de-risk investment in private finance sector through public funding and policy to motivate the private sector.
- The quantification of potential avoided losses can be used to incentivize public and private sectors to finance climate adaptation.
- Adaptation limits should be considered when thinking of loss and damage avoidance with climate financing.
- Climate finance should also support increasing capacity to utilize the financing.

<u>Plenary discussion (17:00-18:15)</u>

- Comments about the USD 100 billion goal
    - The structure of the goal must send a clear message to the private sector.
    - The goal needs to be more sophisticated than only stating the amount of USD 100 billion, but also without overcomplicating it.
    - There needs to be a clearly defined goal that is understandable and that sets incentives.
        - There needs to be an operational definition climate finance to reduce ambiguity.
        - There needs to be a definition on what mobilization mean and what are its implications.
    - It is important to track the impact and effectiveness of the goal.
    - There is a need to have short-term results with long-term perspective.
    - There should be transparency about what’s provided, available, used, and effectiveness of spending.
        - The allocation of financing between mitigation, adaptation, loss and damage must be tracked.
    - The USD 100 billion goal was defined on the basis of trust. There are different understandings with regards to the provision of finance.
    - The issue of loss and damage should be at the forefront.
    - Future goals should include clear milestones and roadmaps.
        - The architecture of the goal needs to have intermediate goals, ability to deal with shocks along the way.
    - When considering mitigation vs. adaptation, there should be a consideration for the strong geographic differences.
    - The base of contributors must be broadened (e.g., who’s getting the money, what are the domestic resources of the recipient).
- Barriers of the goal
    - Attracting and incentivizing the private sector
    - Difficulty in budget tracking for recipient countries
    - Need for institutional capacity to drive finance
    - An impact mandate must be provided instead of focusing on the monetary aspect (e.g., risk vs return).

- Drivers for the goal
    - Potential for technical cooperation with the private sector
    - Opportunities for incentives through policy and tax reduction
    - Data access to identify partnerships with the private sector

Day 2 - March 25, 2022

Session 5: Other elements of the NCQG for further consideration in the ad hoc work program (16:00-17:30)

Richard Muyungi

- Need to consider the realities of the recipient country.
- Need to look at channeling resources that fall under instruments of funding.
- Need to consider how the NCQG is consistent with ambitions of mitigation and adaptation.

Aishath Aileen Niyaz

- Should not shy away from the topic of loss and damage
    - Importance of separating loss and damage from mitigation.
- There are systemic issues that need to be addressed in the climate finance architecture
    - Address inclusivity, especially vulnerable countries that are diverting government budget towards climate finance
    - Should not be contributing to the recipient's country debt – they are not in a position to afford more loans.

Matheus Bastos

- The goal must be placed under a sustainable and just strategy.
- The impact of the pandemic on the future climate finance goal must be assessed.
- Innovation at the nexus between technology and climate financing is needed to implement goals in mitigation and adaptation
- The USD 100 billion goal was a broken promise. There is a need to take a constructive approach to achieve the goal.

Kevin Adams

- The USD 100 billion is a success story, moving significantly in the right direction
    - Public financing delivered whereas private sector response was underwhelming.
- The public sector can do better with policies for de-risking investments and incentives to channel climate finance from the private sector.
- There should be a discussion regarding which countries are contributing to the goal.

Gabriela Blatter

- There is a need to take into account the varying types and levels of needs and priorities which has not been part of the conversation in climate finance.
- There should be guiding questions for the next round of submissions that inform the technical dialogue.

Session 6: Summary of next steps (17:10-18:00)

- Building gradually and incrementally on successive Technical Expert Dialogues (TEDs) until the end of the year.
- Common elements were raised across discussions which was very useful to identify and understand the next steps.
- Necessity for deep dive on some of the elements that need more discussions and understanding
    - Need to clarify other elements (e.g., mobilization, flexible goal)

Comments:

- Provide a structured way to include stakeholders in the conversation (including vulnerable communities and indigenous populations).
- Consider organizing the upcoming meetings with a target for specific topics.
- Ensure there is at least one representative from each country.
- Recommend inviting more private sector representatives to leverage finance and knowledge.

Closing Remarks (Mariam Allam)

- The dialogue was a good starting point to set finance goal.
- TEDs are instrumental to developed countries to plan their budgets.
- Maintain transferability and make science inform the foundation of the collective work.