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## Conference of the Parties

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Item 10(a) of the provisional agenda

**Matters relating to finance**

**Long-term climate finance**

### **Second biennial high-level ministerial dialogue on climate finance: a multi-stakeholder approach to the mobilization and delivery of adaptation finance**

#### **Note by the President**

##### *Summary*

This document, prepared by the President of the Conference of the Parties (COP) with the support of the secretariat, contains a summary of the second biennial high-level ministerial dialogue on climate finance held during COP 22 in Marrakech, Morocco, which focused, in accordance with decision 5/CP.21, paragraph 4, on the issues of adaptation finance, needs for support to developing country Parties, and cooperation on enhanced enabling environments and support for readiness activities.

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## I. Introduction

### A. Mandate

1. The Conference of the Parties (COP) at its nineteenth session decided to convene a biennial high-level ministerial dialogue on climate finance (HLMD) starting in 2014 and ending in 2020.<sup>1</sup> The COP, in the same decision, requested the Presidency of the COP to summarize the deliberations of the dialogue. The first HLMD was held during COP 20 in 2014 in Lima.<sup>2</sup>

2. COP 21 decided to focus the second HLMD on the issues of adaptation finance, needs for support to developing country Parties, and cooperation on enhanced enabling environments and support for readiness activities.<sup>3</sup> By the same decision, the COP requested the Presidency, with the support of the secretariat, to prepare a summary of the second biennial HLMD, which was held in Marrakech, Morocco, during COP 22, for consideration at COP 23 (November 2017).<sup>4</sup>

3. In accordance with decision 5/CP.21, the second HLMD was informed by the report on the in-session workshop on long-term climate finance that took place on 18 May 2016 in Bonn, Germany, in conjunction with the forty-fourth sessions of the subsidiary bodies,<sup>5</sup> and the second biennial assessment and overview of climate finance flows of the Standing Committee on Finance in 2016.<sup>6</sup>

### B. Scope of the note

4. After the key messages emerging from the dialogue] are presented (chapter II), information on the preparatory activities and proceedings of the second HLMD is provided (chapter III). The note concludes with a summary of the outcome of the discussions that took place during the dialogue (chapter IV).

### C. Possible action by the Conference of the Parties

5. The COP may wish to consider this summary, including the guidance for convening future HLMDs, as an input to long-term climate finance deliberations.

## II. Key messages

6. Public finance provided from and mobilized through bilateral and multilateral channels, as reported under the Convention, has increased; however, adaptation finance still represents a small share of climate finance overall.

7. Notwithstanding the challenges involved in its implementation, the road map prepared by developed country Parties in accordance with decision 1/CP.21, paragraph 114, is a positive development that can enhance the collective understanding of the expected levels of public finance and mobilized private finance by 2020. For this to happen, further efforts are needed, including on enhancing the tracking of climate finance flows and measuring their impact, along with more efficient tools for the assessment of data and the

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<sup>1</sup> Decision 3/CP.19, paragraph 13.

<sup>2</sup> The summary is available at [http://unfccc.int/files/cooperation\\_support/financial\\_mechanism/long-term\\_finance/application/pdf/hldm\\_summary.pdf](http://unfccc.int/files/cooperation_support/financial_mechanism/long-term_finance/application/pdf/hldm_summary.pdf).

<sup>3</sup> Decision 5/CP.21, paragraph 4.

<sup>4</sup> Decision 5/CP.21, paragraph 5.

<sup>5</sup> FCCC/CP/2016/5.

<sup>6</sup> The annex to decision 8/CP.22 contains the “Summary and recommendations by the Standing Committee on Finance on the 2016 biennial assessment and overview of climate finance flows”.

dissemination of information, to be deployed in particular for public resources and finance mobilized for adaptation projects.

8. Enhanced access to and delivery of climate finance, and a greater share of it being apportioned to adaptation action, are important considerations in the context of the provision of support to developing countries. Comprehensive approaches and the development of adequate metrics for the measurement of adaptation across sectors, as well as the strengthening of local capacity to carry out adaptation projects that have been invested in, are essential prerequisites to catalyse current and future financial flows towards adaptation projects and enable a substantial increase in adaptation finance.

9. Enhanced transparency of support and emerging mandatory and voluntary climate-related financial disclosures by corporations and financial institutions are important considerations in tracking progress towards the goal of jointly providing USD 100 billion annually by 2020 for mitigation and adaptation and towards the objectives outlined in the Paris Agreement.

10. Ministers of finance have an important role to play in promoting scaled-up mobilization of climate finance and in transitioning to low-carbon and climate-resilient economies, including through country-driven budgetary and fiscal policies related to climate change that are aligned with climate change targets.

11. There is a need for overarching dialogue involving multilateral development banks, investors, central banks, financial regulators and all other relevant stakeholders on the implementation of approaches to catalysing public and private finance, including for adaptation action in developing countries.

### **III. Proceedings**

#### **A. Preparatory activities**

12. The second HLMD was convened by the President of the COP, Mr. Salaheddine Mezouar, Minister of Foreign Affairs and International Cooperation of Morocco. The Presidency of the COP, with the support of the secretariat, invited high-level panellists, including Heads of State, prime ministers, ministers and representatives of national and regional governments, officials of the United Nations, representatives of the operating entities of the Financial Mechanism of the Convention, senior representatives of multilateral development banks and climate finance experts from private sector initiatives, to moderate and participate in the sessions.

13. The programme of the second HLMD<sup>7</sup> was developed around the themes outlined in paragraph 2 above and sought to provide a forum for enabling and delivering concrete initiatives for leveraging and catalysing public and private finance, with a focus on the mobilization of adaptation finance in developing countries.

#### **B. Opening**

14. The second HLMD was held in conjunction with COP 22 in Marrakech. The event was open to all Parties and observers attending the sessions.

15. Opening remarks were delivered by Mr. Mohamed Boussaid, Minister of Economy and Finance of Morocco (on behalf of Mr. Mezouar), and Mr. Robert Orr (on behalf of Mr. Ban Ki-moon, Secretary-General of the United Nations).

16. In his remarks, Mr. Boussaid noted that the early entry into force of the Paris Agreement necessitates scaled-up climate finance and enhanced access, particularly for adaptation activities in developing countries. He called upon Parties to make proposals that will deliver concrete initiatives for catalysing public and private finance, following the road

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<sup>7</sup> Available at [http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/application/pdf/hlmd\\_-\\_final\\_programme\\_16112016\\_%28wri%29\\_.pdf](http://unfccc.int/files/cooperation_and_support/financial_mechanism/application/pdf/hlmd_-_final_programme_16112016_%28wri%29_.pdf).

map to achieve the goal of jointly providing USD 100 billion annually by 2020 for mitigation and adaptation, coordinated by Australia and the United Kingdom of Great Britain and Northern Ireland.<sup>8</sup> He invited participants to consider how to transform global climate finance flows in terms of scale, access and direction towards climate resilience.

17. In highlighting the strong sense of unity of purpose that underpinned the Paris Agreement and Sustainable Development Goals, Mr. Orr stressed the need to move from aspiration to action. He underscored the role of finance and investment in achieving low-emission and climate-resilient societies, including through phasing out fossil fuel subsidies, achieving the USD 100 billion annually by 2020 goal, replenishing the Green Climate Fund, strengthening the Global Environment Facility and the Adaptation Fund, continuing scaled-up climate finance by development banks, catalysing larger private finance flows, aligning investment behaviours with low-carbon pathways and integrating climate resilience into all aspects of national development planning.

18. The opening remarks were followed by lively high-level panel discussions organized in two tracks, each starting with brief scene-setting presentations. The discussions were followed by interventions from the floor, during which a number of Parties made announcements on concrete initiatives in their statements.<sup>9</sup> The video recording of the second HLMD is available on the UNFCCC website.<sup>10</sup>

## IV. Outcomes of the discussions

19. The second HLMD was informed by rich discussions and by the outcomes of the in-session workshop on long-term climate finance as well as the data and insights provided by the second biennial assessment and overview of climate finance flows of the Standing Committee on Finance (see para. 3 above). The following subchapters summarize the outcomes of the discussions held during the dialogue.

### A. Financial policies for climate action

20. Ministers from developed and developing countries spoke about climate-related budgetary and fiscal policies and regulatory measures being taken, including in the context of the implementation of nationally determined contributions. Ministers underscored the importance of continued efforts in this regard, including, inter alia, the integration of climate change considerations into domestic decision-making on budgetary planning and allocation, and the alignment of fiscal policies and expenditure with climate change targets. Ministers shared examples of green taxation policies, targeted expenditure programmes and market-based mechanisms that had been implemented in their countries, as well as schemes designed to incentivize investments in low-carbon projects and build resilience in communities.<sup>11</sup>

21. Ministers also discussed the role of financial and fiscal policies and regulatory frameworks in ensuring that the USD 90 trillion of investments in infrastructure in the next 15 years as estimated in the 2016 New Climate Economy Report<sup>12</sup> are made in climate-resilient ways and in line with the goals of the Paris Agreement. The commitments made by the private sector before and after COP 21 and the need for providing visibility to investors and reducing their uncertainty were also highlighted.

<sup>8</sup> In accordance with decision 1/CP.21, paragraph 114. The road map is available at [http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261\\_295\\_131233554162587561-Roadmap%20to%20the%20US\\$100bn%20%28UNFCCC%29.pdf](http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261_295_131233554162587561-Roadmap%20to%20the%20US$100bn%20%28UNFCCC%29.pdf).

<sup>9</sup> Statements from Parties and observers are available at [http://unfccc.int/cooperation\\_and\\_support/financial\\_mechanism/items/9984.php#Statements](http://unfccc.int/cooperation_and_support/financial_mechanism/items/9984.php#Statements).

<sup>10</sup> <http://unfccc.cloud.streamworld.de/webcast/high-level-ministerial-dialogue-on-climate-finance>.

<sup>11</sup> Country examples were provided by, inter alia, Argentina, Bangladesh, Canada, China, Fiji, France, Liberia, Maldives, Morocco, Sweden, the United Kingdom of Great Britain and Northern Ireland, and Zambia.

<sup>12</sup> *The Sustainable Infrastructure Imperative*. Available at <http://newclimateeconomy.report>.

22. Participants spoke about the importance of predictability and adequacy of resources for climate action in developing countries. Some participants referred to climate finance announcements made by developed countries before and during COP 21 and COP 22 in the context of the goal of jointly mobilizing USD 100 billion annually by 2020, the pledges made by the multilateral development banks for the period 2016–2020 and their role in catalysing the mobilization of private finance at scale, financial innovation, including scaling up green bonds,<sup>13</sup> and the strategic use of guarantee mechanisms and concessional finance to leverage public resources and direct private finance to support low-carbon and climate-resilient investments in developing countries and the least developed countries. Other participants emphasized the primary role of public finance, particularly for adaptation, with private and alternative sources of finance playing supplementary roles.

23. Several ministers talked about the challenges in ensuring adequate funding for adaptation action, particularly for small island developing States, whose adaptation needs outstrip their ability to fund adaptation activities. Some ministers called for the prioritization of adaptation finance in the support provided to developing countries for those countries particularly vulnerable to climate change in order to address the imbalance with mitigation and to allow prioritized adaptation actions to be implemented on the ground.

24. The importance of enhanced access to climate finance to support national efforts in building resilience in communities as well as in the economy was emphasized. One minister called for the consideration of a balanced allocation between adaptation and mitigation finance by multilateral channels as well as grant-based financing for vulnerable countries by multilateral climate funds.

25. The second HLMD highlighted the need for promoting country-driven budgetary and fiscal policies related to climate change in order to accelerate the effective implementation of nationally determined contributions, and the critical role that ministers of finance can play in several forums in the post Paris Agreement period in promoting scaled-up mobilization of climate finance and in transitioning to low-carbon and climate-resilient economies. To this end, ministers emphasized the need to pursue joint initiatives that focus on developing and deploying financial instruments and tools in the context of triangular cooperation (North–South–South) among Parties.

26. The dialogue further underscored the relevance of enhanced transparency of support and emerging mandatory and voluntary climate-related financial disclosures by corporations and financial institutions, and continued work towards developing adequate adaptation metrics and comprehensive approaches to measuring the impacts of adaptation projects across sectors.

## **B. Scaling up climate finance and widening the field**

27. Ministers reflected on the state of climate finance flows based on information provided in the 2016 biennial assessment and overview of climate finance flows<sup>14</sup> and other sources of information. There was broad recognition of an overall increase in the reported public finance provided and mobilized through bilateral and multilateral channels. It was, however, noted that adaptation finance continues to represent a small share of climate finance overall.

28. Ministers reflected on the issue of predictability based on the projected levels of public finance and mobilized private finance provided in the road map referred to in paragraph 16 above. The efforts to develop the road map were welcomed, and the challenge in projection of budgetary resources and providing certainty, particularly with respect to the projected levels of mobilized private finance flows, was noted. In addition, ministers noted the need for:

(a) Robust tracking methodologies, including those for ensuring that double counting is avoided;

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<sup>13</sup> See the secretariat's Climate Funding Snapshot, available at <http://unfccc.int/climatefunding/>.

<sup>14</sup> As footnote 6 above.

(b) A focus on public finance and delivery, particularly with a view to giving greater weight to adaptation;

(c) Enhanced access to climate finance, particularly for small island developing States.

29. Several ministers noted the importance of increasing grant-based support for adaptation for the least developed countries and small island developing States, which face challenges that include difficulties in attracting private sector support for adaptation action. Ministers welcomed the contributions made by developed countries to the Least Developed Countries Fund and the Adaptation Fund as well as the more than USD 1.2 billion, which will provide assistance to 37 countries, approved by the Board of the Green Climate Fund. Developed countries were encouraged to continue to provide resources in the future, including through the dedicated funds and the operating entities of the Financial Mechanism, in order to ensure the continued support of country-driven strategies and climate action plans such as the formulation and implementation of national adaptation plans.

30. The transformational potential in unlocking private finance featured during the discussions. Ministers underscored the need to engage with more multilateral development banks and private institutional investors. In regard to the Green Climate Fund, it was noted that the approved funding is expected to provide confidence to the private sector so that it may allocate resources in the order of billions of United States dollars. The commitment of the Global Environment Facility to finding ways to leverage additional funding to support developing countries on pathways to low-carbon and climate-resilient economies was also noted.

31. Ministers underscored the importance of enabling environments, integrating adaptation into development strategies and budgetary planning processes, providing continued support for readiness and capacity-building, enhancing transparency and allocating public finance flows more efficiently.

### **C. Initiatives for leveraging and catalysing public and private finance, with a focus on the mobilization of adaptation finance in developing and emerging economies**

32. The second HLMD featured several announcements and examples of concrete initiatives launched before and during COP 22 that are aimed at, inter alia, supporting increased levels of adaptation finance and building climate resilience in communities and the broader economy, including:<sup>15</sup>

(a) The Climate Action Peer Exchange, a global initiative launched by Morocco and the World Bank Group and the first attempt to bring together finance ministers in peer-to-peer knowledge exchange. It aims to: (1) increase the capacity of finance and planning ministries to support the implementation of nationally determined contributions on the basis of sharing best practices and lessons learned, mutual technical assistance and advisory support, and peer assessments and self-evaluation; and (2) help countries develop comprehensive climate budgetary and fiscal policies and planning tools;

(b) The NDC Partnership, a coalition of countries and institutions working together to mobilize support and achieve ambitious climate goals while enhancing sustainable development.<sup>16</sup> It aims to enhance cooperation so that countries have access to the technical knowledge and financial support they need to achieve large-scale climate and sustainable development targets as quickly and effectively as possible. The NDC Partnership builds in-country capacity and increases knowledge-sharing so that climate policies have meaningful and enduring impacts and drive increasing global ambition over time;

<sup>15</sup> Information on other related announcements is available at <http://newsroom.unfccc.int/unfccc-newsroom/nations-take-forward-global-climate-action-at-2016-un-climate-conference/>.

<sup>16</sup> <http://www.ndcpartnership.org/>.

(c) The Middle East and North Africa Climate Action Plan, which represents 30 per cent of the World Bank Group's portfolio, and of which half is programmed for adaptation action, as well as the expected increased share of adaptation finance within the International Development Association;

(d) The Marrakech Pledge for Fostering Green Capital Markets in Africa, a partnership led by 11 African capital markets regulators and exchanges (covering 19 African countries) to be opened to all countries of the South. It aims to work collectively to enable the rapid and effective establishment of climate-resilient capital markets and a surge in efficient and innovative climate finance mechanisms in order to allow green savings to flow towards low-carbon and climate-resilient investments, particularly in developing countries;

(e) The Sustainable Energy Fund for Africa, a multi-donor trust fund administered by the African Development Bank that aims to support small-scale and medium-scale renewable energy and energy efficiency projects in Africa. Its development objective is to support sustainable private sector led economic growth in African countries through the efficient utilization of presently untapped clean energy resources. The fund has been designed to operate under three financing windows: project preparation, equity investments and enabling environment support;

(f) The announcement made by Germany of climate finance amounting to EUR 50 million for the Adaptation Fund, EUR 40 million for the InsuResilience climate risk insurance initiative and EUR 10 million for the Capacity-building Initiative for Transparency;

(g) Announcements by other Parties amounting to USD 50 million for the Capacity-building Initiative for Transparency.

33. Ministers and participants shared views on ways to promote the uptake of financial innovations that seek to catalyse public and private finance flows from developed to developing countries. There were calls to long-term institutional investors to increase the share of investments in their portfolios that contribute positively to either mitigation or adaptation in regard to the impacts of climate change.

34. There was strong support for developing an overarching dialogue involving multilateral development banks, institutional and private investors, and other relevant stakeholders on following through the ideas discussed during the second HLMD, including through the NDC Partnership (see para. 32(b) above) and the Climate Action Peer Exchange (see para. 32(a) above).

35. Ministers thanked the Presidency of the COP for convening the second HLMD and expressed their support to the Presidency in taking forward the ideas that emerged from the dialogue, as expressed in the "COP 22 Climate Finance Pathway" contained in the annex, with a view to reporting progress at COP 23 and at the third HLMD, to be held in conjunction with COP 24 (November 2018).



## Annex

# COP 22 Climate Finance Pathway: scaling up climate finance and increasing available funding, with a focus on adaptation and the countries of the South

[English only]

## “Move the billions into trillions”\*

### Scaling up substantially climate finance by 2020 and beyond

*The “COP22 Climate Finance Pathway” was developed by the Moroccan Presidency to (i) follow up on discussions held by the parties during the HLMD on climate finance held in November 16<sup>th</sup>, in conjunction with the twenty-second session of the COP in Marrakech, (ii) to address priority areas of action, as identified during those discussions, in relation to increasing the flows of climate finance with a particular focus on high-impact actions in favor of the South, with a view for the Moroccan Presidency to report back on progress and achievements during the upcoming twenty-third session of the COP and related events, as well as during the third session of the HLMD on climate finance and other relevant international meetings.*

#### INTRODUCTION & CONTEXT

As per its mandate, the Moroccan Presidency is entrusted to lead and ensure the concretization of all decisions and recommendations of the Parties during the COP22 held in Marrakech in November 2016. Subsequently, the COP Presidency is fully engaged to impulse a real dynamic of collaboration and exchange among Parties and other relevant international organizations and partner institutions towards the effective and tangible implementation of announced initiatives and commitments during the COP22 meetings.

In particular, and in relation to the discussions held during the second session of the High-Level Ministerial Dialogue (HLMD) on climate finance on November 16<sup>th</sup>, 2016, in conjunction with the twenty second session of the COP in Marrakech, the Moroccan Presidency developed the “COP22 Climate Finance Pathway” to address key priority areas of action as identified by the Parties during the HLMD on climate finance and other related COP22 meetings in Marrakech.

With regard to climate finance, three priority themes were identified through official deliberations during COP22 around the common goal of substantially scaling-up climate finance for the Global South, with the view to **“Move the Billions into Trillions”**:

- (1) Increase available funding for developing and least developed countries by 2020 as part of the global commitment by developed countries to mobilize 100 Billion USD per year by 2020, while enhancing efficiency of use of mobilized resources, taking into account the Roadmap to the target 100 billion USD per year by 2020 presented by developed countries;
- (2) Increase substantially available funding for climate action in the South under the Paris Agreement commitment, with enhanced delivery processes of climate finance and better accessible information for more efficient impact;
- (3) Catalyze additional finance for climate action, mainly by (i) enhancing public leverage to further mobilize private actors and stimulate effective and deeper shift of private investments towards a low-carbon economy, (ii) implementing adequate country-driven public policies to create the necessary institutional, regulatory and business environments to enable a fair and rapid transition of flows of capital towards low carbon investments, and (iii) diversifying sources of finance dedicated to climate action, including adaptation projects, such as philanthropy and social investors, institutional investors, municipal finance, etc. ;

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**THE COP22 CLIMATE FINANCE PATHWAY**


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The **COP22 Climate Finance Pathway** revolves around the principles of collective action, collaboration among Parties, and synergetic initiatives, and **sets three core priority areas:**

- (i) Deploying budgetary and fiscal policies for NDC implementation;
- (ii) Increasing adaptation finance and deepening its impacts;
- (iii) Enhance public resources leverage to catalyze private climate finance flows at scale for targeted impact.

**Priority (1) under the COP22 Climate Finance Pathway:**

*Deploy country-driven budgetary and fiscal policies to support NDC implementation through effective implementation of the “CAPE Initiative”*

The first priority area of the CFP is to promote country-driven budgetary and fiscal policies to accelerate the effective implementation of Nationally Determined Contributions, by strengthening the role of Ministers of Economy and Finance in driving national climate action to deliver tangible and visible impacts on populations and territories.

In that regard, the COP22 Moroccan Presidency leads and supports the **Climate Action Peer Exchange (CAPE) Initiative**. CAPE membership targets ministers and senior officials in charge of fiscal policy and management, essentially from Finance Ministries.

The CAPE is an initiative proposed by the Moroccan Presidency of COP22/CMP12/CMA1, in partnership with the World Bank, and was presented and discussed during the High-Level Ministerial Dialogue on climate finance held on November 16<sup>th</sup>, 2016 in Marrakesh. The initiative received wide support with effective endorsement by several countries to be core founding members, including France, Germany, Nigeria, Indonesia, Canada, Philippine and Morocco.

It aims at establishing a forum for peer learning, lessons sharing and mutual advisory support of knowledge exchanges, intended to (i) assist countries increase the capacity of Finance, Economy and Planning Ministries to support NDC implementation based on best practice and lessons sharing; mutual technical assistance and advisory support; peer assessments and self-evaluation; and (ii) help countries adopt comprehensive climate policies including budgetary and fiscal policies and planning tools.

CAPE is designed to bring together senior technical experts from Finance Ministries across the world, as well as key global experts and World Bank staff, to discuss fiscal challenges and solutions for implementing the Nationally Determined Contributions (NDC). It is also open to senior officials of Budgeting and/or Taxation agencies that engage in a country’s fiscal activities.

While CAPE emerged around an initial core membership, it is expected to be extended to other country members over the course of the coming 2 years. Several countries have officially announced their intention to join and support the CAPE partnership, mainly during the side-event organized by the Moroccan Ministry of Economy and Finance during COP22 in Marrakech, and following the second session of the HLMD on climate finance.

Membership will be extended to all interested parties, and a particular attention will be given to regional diversity, as well as context and regime-based differentiation taking into account various budgetary and legislative approaches, specific economic contexts, minimum institutional capacities, leading experiences, etc.

**Main topics of focus:**

- Fiscal instruments for low carbon growth and resilience; carbon pricing; emission trading systems, fuel taxes; feed-in tariffs and subsidies for renewables and other green technologies.
- Macroeconomic modeling to estimate economic growth and public debt trajectories under different transition paths to low carbon associated with the implementation of the NDC.
- Fiscal risk assessments to estimate potential impacts of different low-carbon transition paths on public sector debt and to assess the impact of ‘contingent liabilities’ associated with natural disasters.
- Climate change financing frameworks to integrate climate strategies into national planning, budgeting and M&E cycles.

- Public investment choices under uncertainty; the economic costs of adaptation to a changing climate both within key sectors (energy, agriculture, transport, water) and economy wide;

Expected results:

The main expected results over the next 2 years (as per the upcoming 3<sup>rd</sup> biannual High Level Ministerial Dialogue on climate finance planned for 2018), include:

- Allow for the effective implementation of the CAPE forum for peer learning, lessons sharing and mutual advisory support, and knowledge exchanges dedicated to the Finance Ministers from member-countries. A dedicated team has been established by the World Bank in its headquarters in Washington DC, and works closely with the Moroccan Presidency to lead and support the operationalization of CAPE;
- Create the necessary conditions for effective peer-exchange and mutual supports among Ministers of Finance on climate action and alignment of budgetary and fiscal policies to climate resilience requirements and objectives of climate action, based on (i) best practices and international standards, (ii) lessons from leading national experiences, success stories and knowledge sharing among peers, and (iii) taking into account differences of budgetary frameworks, legislative and regulatory approaches, and macro-economic environment structural characteristics as per specific regional and national contexts.
- Develop a global framework of guidelines in line with the above mentioned “Charter” for Ministers of Finance on climate action in favor of accelerating the implementation of NDCs and allow for effective transition towards low-carbon economy. Such framework is expected to include standard tool-boxes for systemic integration of climate action requirements and objectives in (i) budgetary and fiscal policy-making processes (including climate friendly policies, carbon pricing tools and mechanisms, regulatory, prudential and cost incentives), (ii) public investments and expenditure planning and evaluation processes, and (iii) more generally public financing management systems and effective impact measurement tools.
- Disclose and share conclusions and recommendations with the global community while making tools available to all Parties and interested countries;
- Submit the CAPE work conclusions and recommendations for consideration by the 3<sup>rd</sup> session of the High Level Ministerial Dialogue on climate finance to be held in conjunction with the Twenty fourth session of the COP;

Provisional Calendar of activities:

- March 2017: 1<sup>st</sup> preparatory Technical Meeting (Morocco)
- April 2017 : 1<sup>st</sup> CAPE membership meeting (on the margin of the WB/IMF Spring Meetings - Washington DC)
- May 2017: Progress meeting in Bonn (In-session meeting on climate finance)
- Sept. 2017: Technical/regional workshops under CAPE partnership (tbd)
- Sept. 2017 : 2<sup>nd</sup> CAPE membership meeting in preparation of the COP23 (on the margin of the 72<sup>nd</sup> UN General Assembly)
- Nov. 2017: COP23 / Restitution and Specific side-event on CAPE
- 2018: 3<sup>rd</sup> Session of the HLMD on Climate Finance in conjunction with COP24

**Priority (2) under the COP22 Climate Finance Pathway:**

*Increasing adaptation finance and deepening its impacts.*

The second priority area of the COP22 Climate Finance Pathway focuses on creating the necessary conditions and institutional environments to allow for a substantial increase of adaptation finance.

In that regard, and in order to achieve effective and meaningful results, the Moroccan Presidency has identified key priority domains for action, articulated around the (i) the need to provide clarity on the measurement of adaptation so as to enable better information and decision making across sectors, and (ii) strengthen local capacity to carry out adaptation investments with a view to enable additional climate finance.

Subsequently the Moroccan presidency will facilitate collaboration and collective action around the following 3 action domains:

- (A) ***Build on the CMA1 decision that the Adaptation Fund should serve the Paris Agreement, and propose appropriate arrangements as soon as possible;***
- (B) ***Stimulate the development of a comprehensive set of Adaptation Metrics to better plan, design, implement and report on adaptation,*** by building on existing initiatives and bringing together policy makers, business leaders, investors and industry representatives, academia and civil society actors.

The objective of such tools is to provide investors and donors with adequate and coherent analytical tools to inform decision making and allow for comparability through the entire process of project design, planning and implementation, as well as measurement of effective impact of climate adaptation action.

To that end, the Moroccan Presidency will capitalize on the conclusions and recommendations of the Conference on Adaptation metrics organized by Morocco (held in Skhirate on Sept. 2016), and will continue to mobilize relevant actors towards converging measurement approaches and shared adaptation metrics, taking into account sectorial and territorial specificities and specific context to adaptation projects.

Key actors include development banks and multilateral agencies, rating agencies, private sector (insurance, pension funds, asset managers,...), academia and the scientific community, as well as the various specialized institutions on climate finance tracking and follow-up.

Considering the very wide extent, contours and complexity of the subject, 3 sectors were identified as initial pilots: Water, Agriculture and Infrastructure.

**Provisional Calendar of activities:**

- **April 2017:** 1<sup>st</sup> Technical meeting IDFC/MDBs (around the WB/IMF Spring Meetings - Washington DC)
- **May 2017:** Progress report during the In-session meeting in Bonn
- **June. 2017:** 2<sup>nd</sup> Technical meeting IDFC/MDBs (td)
- **Sep. 2017:** 2<sup>nd</sup> Edition of the Workshop on Adaptation Metrics
- **Nov. 2017:** COP23 / Restitution and Specific side-event

- (C) ***Enhance the conditions of access to available adaptation finance by countries of the South, and reinforce institutional and operational capacities at national and sub-regional levels,*** by:

- Enhancing the institutional and operational efficiency of existing direct access mechanisms to adaptation finance, mainly by reviewing and optimizing the accreditation processes of national and sub-regional agencies for enhanced efficiency of mobilized resources and strengthened local impact;
- Supporting direct access accreditation and pipeline preparation to national and sub-regional agencies;
- Reinforce and/or build capacity in developing countries for adaptation action, through decentralized and networked technical centers, while also developing the adequate local delivery mechanisms (leverage outcome /impact /enhanced spill-over effect);
- Deploying targeted capacity building programs aimed at reinforcing national capacities to structure projects and mobilize necessary financing, including fast-tracking of direct access of national entities, while coordinating with existing initiatives such as the NDC partnership.

**Priority (3) under the COP22 Climate Finance Pathway:**

*Enhancing public leverage to catalyze private flows and to enable the diversification and scaling-up of private finance*

Under this priority track, the Pathway identifies necessary actions to address the urgent need to leverage public resources, including concessional finance, to decarbonize and climate-proof growth through scaled up private financing. The COP22 Presidency will convene a structured conversation about a) the tools, rules and incentives needed to scale up business-as-usual investments flows, and b) the strategic use of concessional finance to direct private finance to support low carbon and resilient investments, particularly for the most vulnerable people and regions.

Subsequently, the Moroccan Presidency will pursue actions to achieve the following:

**A) *Promote adequate economic and regulatory environment so as to expand investment opportunities in the green economy for the private sector*, including:**

- Adequate public policies and regulations in favor of the green economy and climate resilient investments, along with appropriate support mechanisms for the private sector (mobilization of production resources, infrastructure, removal of regulatory and administrative barriers, ...);
- Enhancing business climate, particularly in relation to reinforcing markets transparency on “price formation”, access to information, judicial security of transactions, public procurement procedures, and more generally promoting and protecting investments;
- Supporting country-driven efforts to establish carbon pricing mechanisms and tools including municipal and national fiscal policy tools, including the use of generated revenues in adaptation projects;

**B) *Use guarantees’ mechanisms provided by development banks and multilateral agencies and concessional finance to catalyze private investment towards funding climate action projects in developing and least developed countries;***

There is a clear opportunity to build mutualized mechanisms of guarantee provided by MDBs and dedicated to investments in climate mitigation and/or adaptation projects in developing and least developed countries, so as to allow for:

- Significant investment risk reduction in developing and least developed countries, including credit risk, commercial risks, political risks, as well as regulatory and administrative barriers, especially for trans-border projects;
- Mobilization of new actors including philanthropists and impact investors by mutualizing available finance around large-scale projects in the South and providing adequate finance at various project stages, as well as risk coverage for specific countries;
- Maximized leveraging of public resources mobilized through mixed financing structures and public-private partnerships.

Concrete initiatives in this regard should include the creation of co-guarantee platforms/facilities for climate resilient projects (such as renewable energy projects, public transportation, infrastructure,...) in developing and least developed countries, aimed to catalyze private finance with a significant leverage effect (with an ambitious initial target of about 4 to 1). Such platforms/facilities would be conceived to lower transaction costs for project developers/lenders, and aimed to:

- Achieve economies of scale and efficiency by aggregating guarantees from multiple institutions with improved coordination to support riskier climate related projects;
- Use guarantee mechanisms to attract institutional capital;
- Significantly enhance the credit score of climate projects in developing countries, and help remove political, regulatory and administrative barriers especially for cross-border projects.

C) *Ensure the effective alignment of the financing systems with low carbon climate resilience and sustainable development goals*, and in particular by:

(1) **Engaging Central Banks in a collective action** to launch a broad discussion on how to articulate and reconcile climate action objectives with macro-prudential norms, monetary policy and regulatory tools (including banking regulations and prudential frameworks such as BASEL III, among others), and more generally with financial stability requirements, with the view to develop a common and shared vision taking into account:

- The need to enable an effective shift of the global economy towards resilient, low carbon development and sustainable growth dynamics, in particular in relation to long term financing of climate mitigation and adaptation action in developing countries (risk coverage of long term projects, infrastructure projects, specific tools and incentive mechanisms for low-carbon investments/lending...);
- The need to ensure rigorous regulation and supervision of financial systems through efficiency-enhanced macro-prudential management models and monetary policy intervention tools, especially with regard to the global developments within the banking and lending industry.

Concrete initiatives in this regard should include the set-up of an exchange forum of peers and experts, while building on existing initiatives, with the view to develop a comprehensive set of recommendations and guidelines, to share experience and subsequently formulate relevant recommendations.

(2) **Promote the development of green capital markets and climate resilient investments practices**, in order to allow savings to flow towards low-carbon and climate resilient investments.

The Moroccan Presidency will support and promote initiatives aimed to foster the establishment of green capital marketplaces, especially in developing countries and least developed countries, and the systemic integration by Capital Markets of climate resilience principles, by:

- Promoting the development of adequate financial instruments, green investment vehicles and specific innovative regulatory and policy tools in favor of increasing substantially capital flows towards low-carbon economy (including listed green bonds, dedicated listing and trading boards for green equity, specific capital markets indices and associated investments funds,...);
- Promoting transparency and access to information by implementing the adequate regulatory frameworks in relation to (i) financial disclosure rules and regulations for issuers and asset managers, (ii) dissemination mechanisms by exchanges and financial institutions, and (iii) labeling standards and processes for qualified green projects, guiding principles on green investments qualification, on use of proceeds, and third parties verification requirements and controls; (*Considering in particular, the work and recommendation of The Task Force on Climate-related Financial Disclosures (TCFD) in relation to voluntary climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders*).
- Reinforcing and building global and national capacities within the industry in relation to climate related investment practices, financial transaction structuration of financing and investment products in green assets, exchanges and market infrastructures' operating systems, as well as the public investing community in general.

**BOX-1- The « Marrakech Pledge » for Fostering Green Capital Markets in Africa**

Led by Morocco, *19 African regulators and Exchanges, representing 26 African countries, endorsed the “Marrakech Pledge” for Fostering Capital Markets in Africa*, committing to act individually and collectively in order to build a continental partnership of African Capital Market Authorities and Exchanges, aimed at fostering Green Capital Markets in Africa, around a set of collective target commitments to be deployed and implemented over different time spans within our respective local markets and at the continental level, with the view to:

- Promote Africa as a prominent region for green financial markets and an attractive destination for green and climate-resilient investments, by enabling the development of an effective ecosystem to support the establishment of Green Capital Markets in Africa;
- Voice Africa's Climate Finance concerns and priorities by ensuring that the global developments within capital markets and financial systems (i) take into account regional economic and institutional disparities and address effectively both adaptation and mitigation issues in the African Continent, (ii) are aligned with real economic structures across Africa, and

contribute to achieve sustainable growth in African economies.

- Enable African-led innovative climate finance initiatives, both globally and for Africa, and the building of local climate finance knowledge and expertise amongst the Continent's market players;
- Create and implement the necessary mechanisms to allow for (i) effective matching of demand and supply of green equity and climate-resilient investment opportunities in the region, and (ii) building local knowledge resources, conducive and facilitative policy and regulatory environments and expertise around African-led initiatives and innovative ideas.

Under this partnership, **three priority areas of collaboration** were identified and **translated into a set of Collective Action Commitments**:

- Enable the development of an effective ecosystem to support the establishment of green capital markets in Africa;
- Support the development of green financial instruments and climate-resilient investment vehicles in Africa;
- Promote transparency and accessible information on green finance and climate resilient investments in Africa.

In order to accelerate and ensure the delivery of the Collective Commitments to Action under this partnership, a permanent Task Force for "Fostering Green Capital Markets in Africa" is being set up by member-countries, and will be mainly in charge of (i) driving and coordinating collective initiatives, (ii) ensuring communication and experience sharing among members & reporting, as well as (iii) extending support for the organization of regular and specific events under the present partnership, including the annual members meeting and associated conferences.

While built to be an African led partnership, it is intended for that this initiative to be extended to other countries from the South and other relevant sub-regional groups.

**(3) Engage actively with the Insurance Sector by mobilizing industry leaders and major actors on their double capacity as:**

- *Providers of insurance and risk wavers*, with the view to further develop sophisticated management tools and hedging instruments for climate risks in favor of enhanced economic and financial feasibility characteristics of climate mitigation and adaptation projects;
- *Institutional investors and catalyzers of long-term financial saving*, in favor of a significant increase of investment proportion in green assets and low-carbon projects, along with a systemic integration of climate resilience principals within their asset allocation strategies and investment-decision-making processes.

***The diversification of the provision of private finance around bankable projects***, by engaging institutional investors such as sovereign, pension and investment funds to leverage their critical role as vehicles towards scaled up investments in low-carbon initiatives, around bankable projects in countries from the South