

IKI SNAPFI project

# Transformational change towards low-carbon development in emerging economies: insights from international climate finance cases

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:vivid**economics**



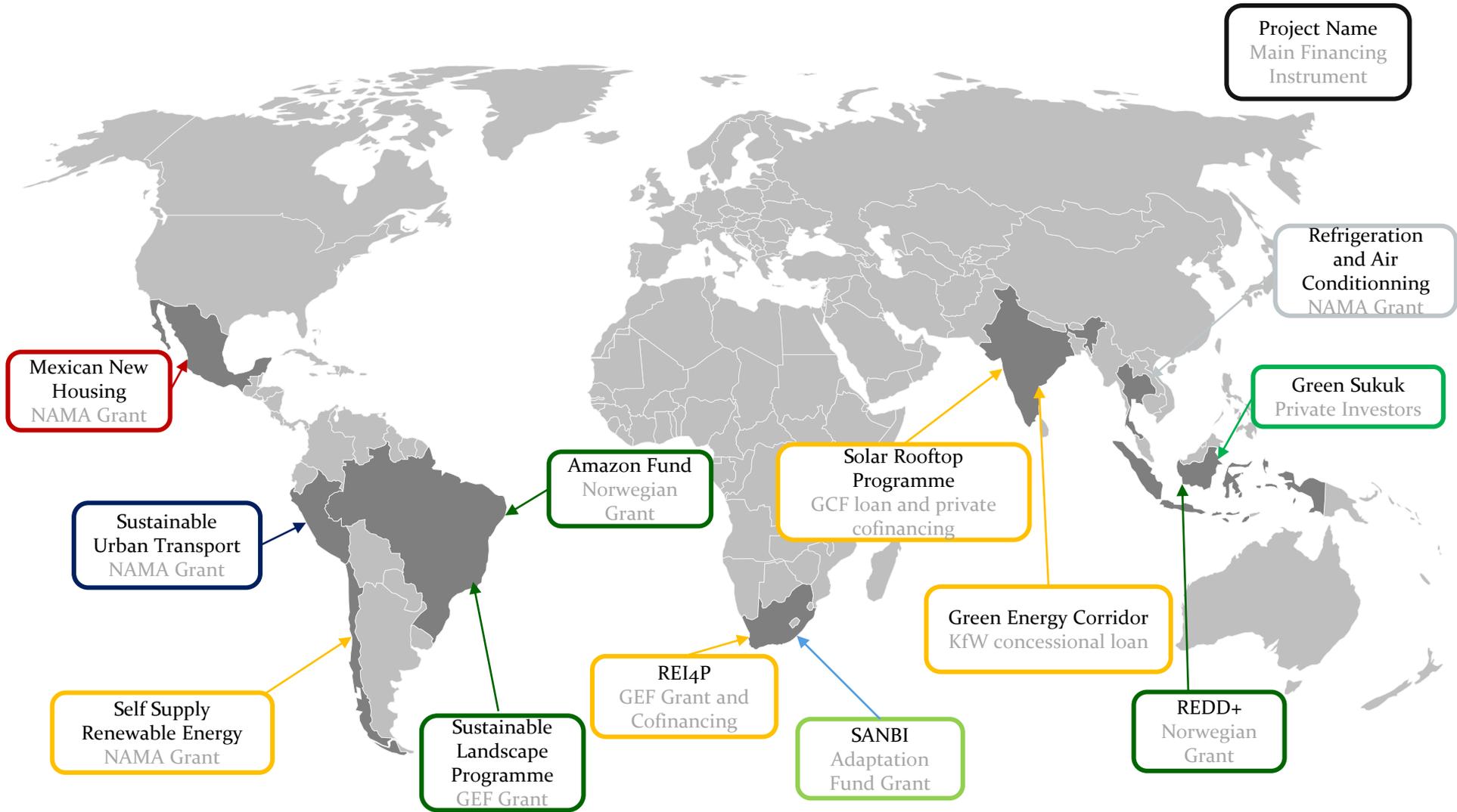
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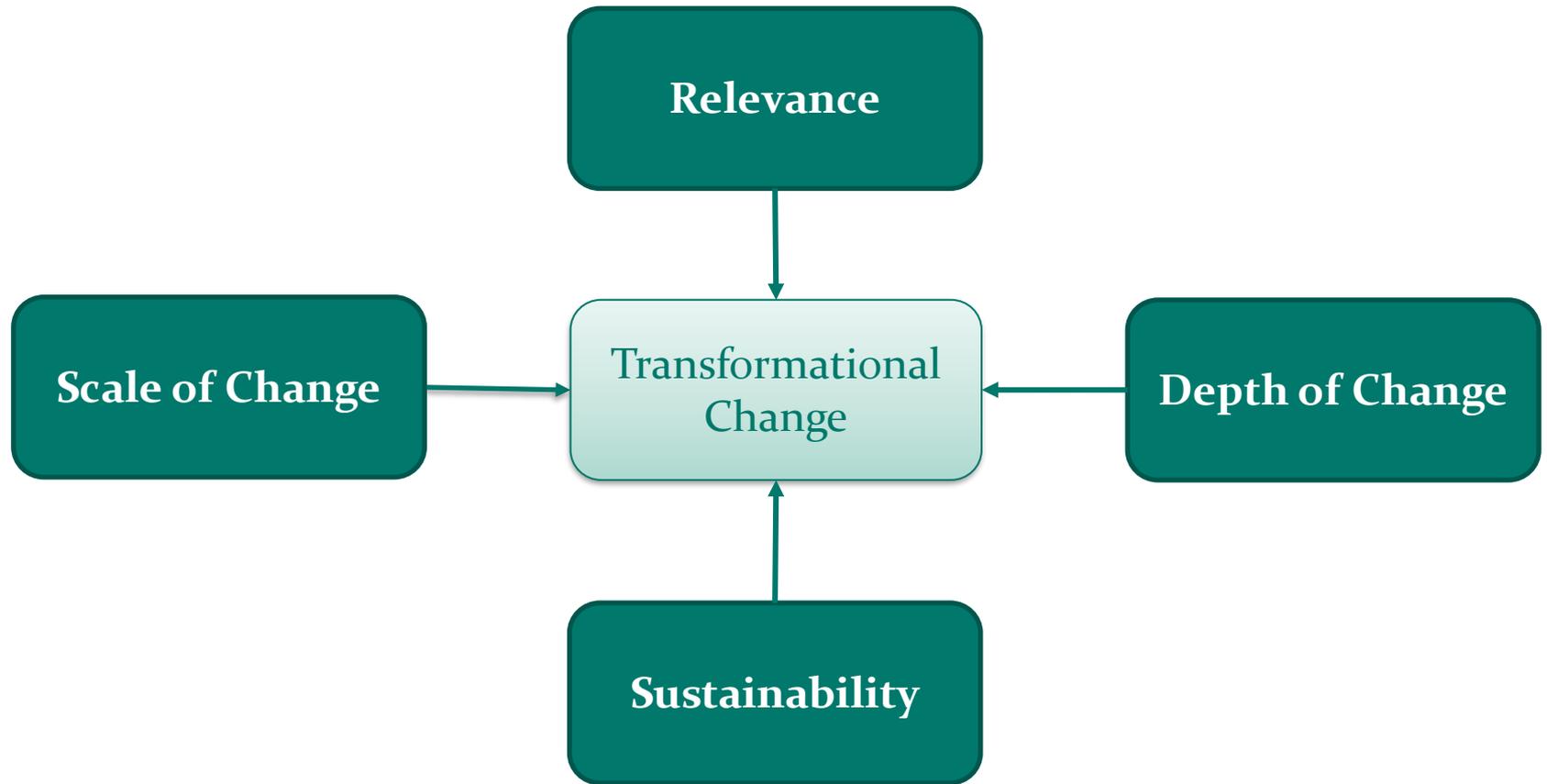
# I Overview of the 12 case studies



## Sectors



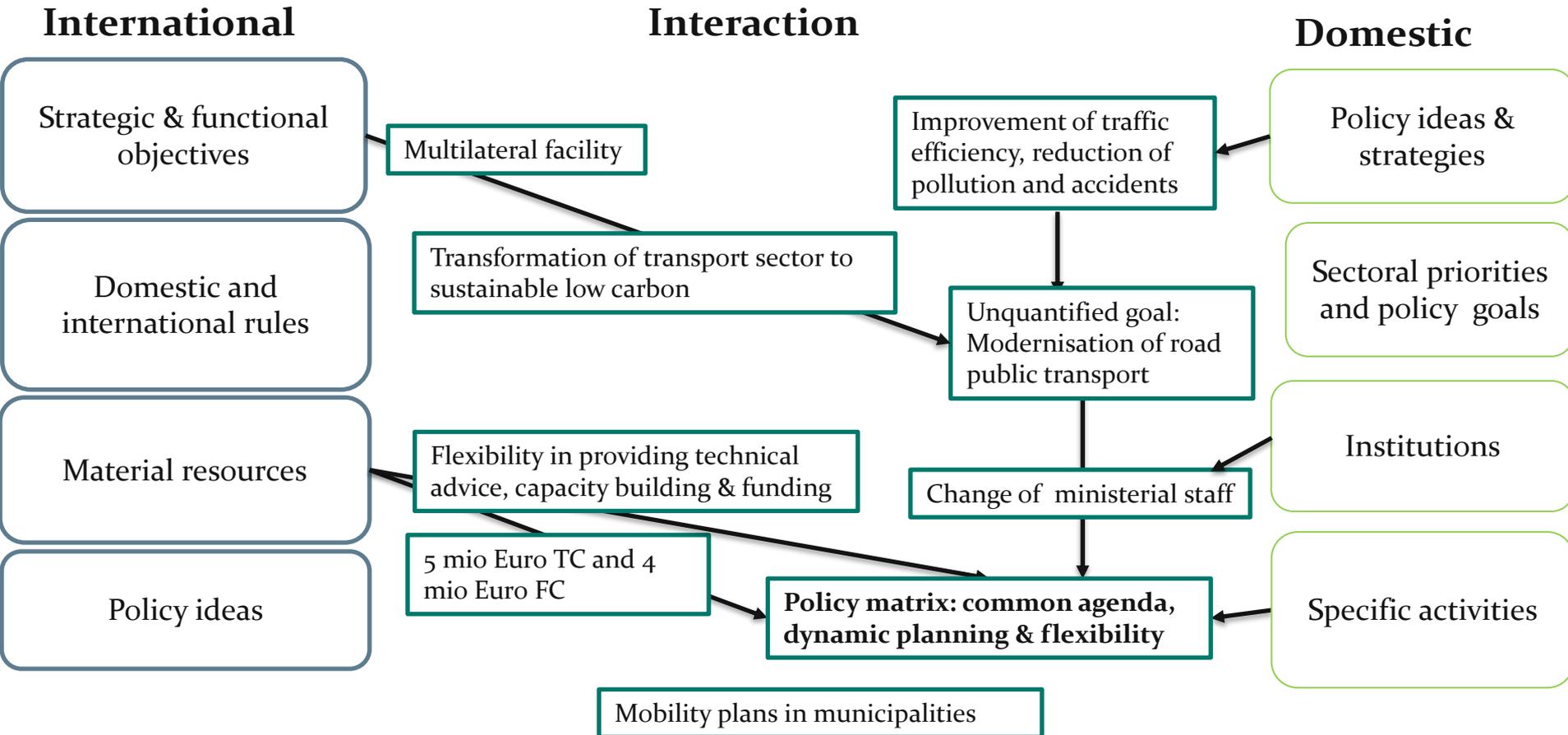
# I Concept of transformational change



# Propositions

# II

## Core proposition I : Dynamic planning for transformational change Sustainable Urban Transport, Peru



### Proposition: Identification of specific activities and dynamic planning are key

- Identification of partner needs best done in dialogue around support
- Requires flexibility of support within agreed target corridors
- Reflection of non-linear change processes

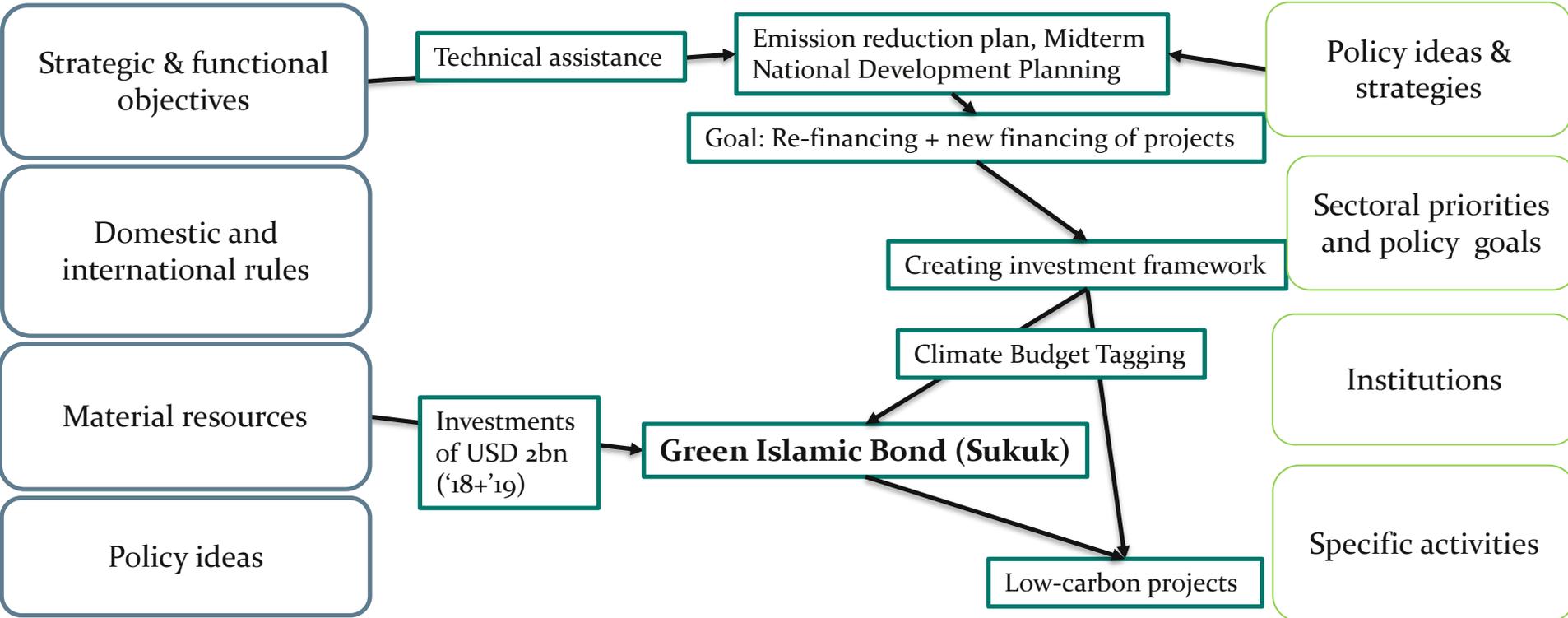
# II

## Core proposition II: Alignment of ICF contributions Green Sukuk, Indonesia (Green bonds, energy sector)

### International

### Interaction

### Domestic



**Proposition: Alignment of ICF with government policies and programmes is necessary**

- But should not preclude further **engagement in policy development**
- Important to achieve **common vision** of transformational change of international & national partners

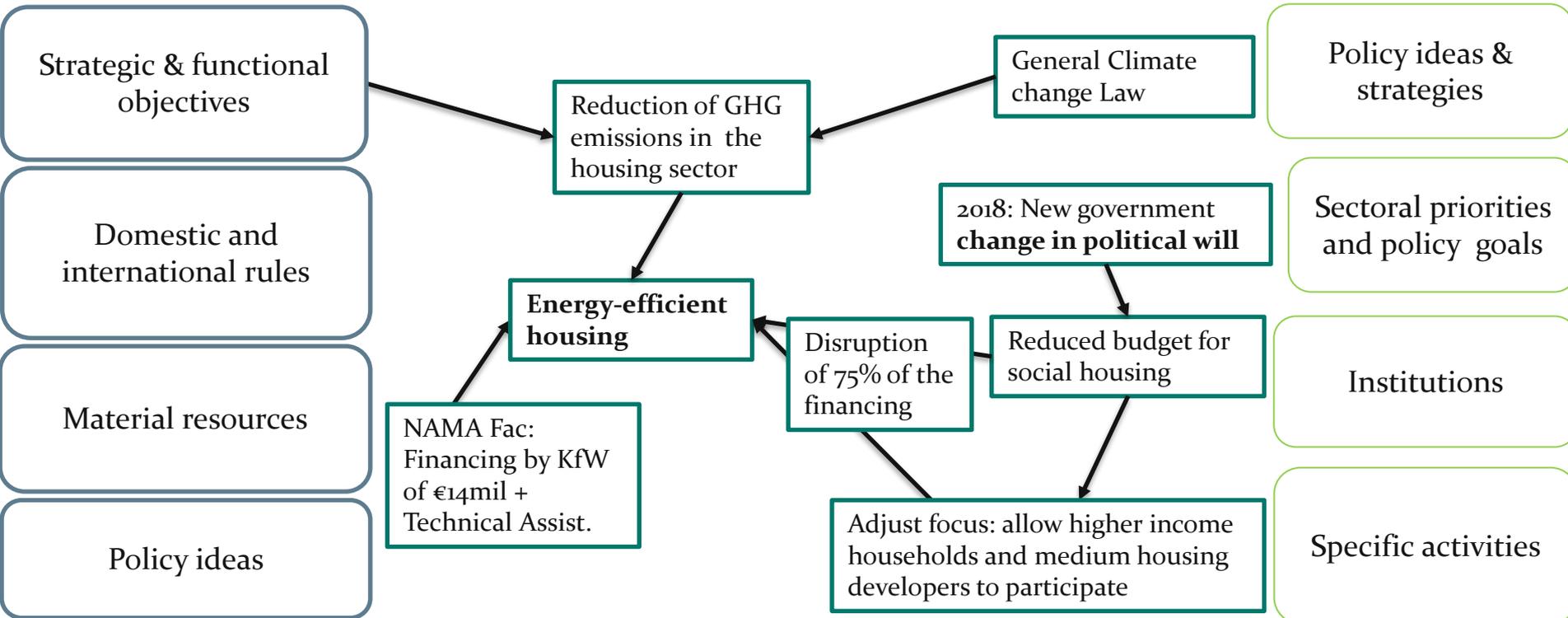
# II

## Core proposition III: Political will and transparency Mexican New Housing, energy efficiency

### International

### Interaction

### Domestic



### Proposition: Political will and transparency as prerequisites

- ICF – host country interactions may **foster political will** to succeed, enhance ownership, and improve policy making
- **MRV** as basis for trust and transparency, **pilot implementation** as success stories.
- Vanished and hampered implementation requires changes

## II

# Conditional proposition I: political visibility

### Example: Indian Green Energy Corridor

- Goal: Expansion of electricity grid
- Initially: slow progress
- Visibility of ICF contributed to pushing the project high up in the **federal government's priorities**
- Contribute to **moving climate action up in the agenda setting process.**



Proposition: **political visibility** can support transformational change of ICF

- High-level political visibility **can improve the implementation of policies** and create the **backing** needed for climate policies
- **Hard to attain and can back-fire**

## II Conditional proposition II: institutional innovation

Example: Setting up wind power auctioning office within **South Africa's REI4P**

- Goal: wind power investments
- Initially: inertia around existing company
- Setup of new auctioning institutions
- Helped **overcome vested interests** and inertia
- **Enabled private investments** by new, independent power producers



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Proposition: **Institutional innovation** can support transformational change of ICF

- **New institutions support change** IF they address specific issues difficult to resolve within existing ones
- Questions of ownership and institutional sustainability

# II

## Conditional proposition III: stakeholder participation

### Example: **Brazilian Amazon Fund**

- Goal: reduce deforestation
- Setting up **multi-stakeholder platform** with specific rights and duties
- Engaging a **wide range of stakeholders**
- Was able to **reach diverse local actors**
- Trade-offs regarding **participant groups**



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Proposition: **Stakeholder participation** can support transformational change of ICF

- Forming **coalitions pro-change** and **providing legitimacy**
- Requires a **common interest in the success** of the programmes

## II Conditional proposition IV: implementation modalities

Example: **South African SANBI's Direct Access to the Adaptation Fund**

- Goal: enable local adaptation
- SANBI as National Implementing Entity (NIE)
- Directly accessing financing and managing projects, incl. **design, implementation, monitoring and evaluation**
- Reaching a **wide range** of rural recipients



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Proposition: (Enhanced) **Direct access** can support transformational change of ICF

- Can **reduce transaction costs** and **enhance national ownership**
- Usually requires **extensive technical capabilities** and, hence, assistance and **incurs costs for monitoring** at the domestic level

# II

## Overview: Core and conditional propositions

### Core propositions

1: **Identification of specific support needs and dynamic planning**

2: **Alignment of international climate finance and domestic policies**

3: **Political will to succeed and transparency**

### Conditional proposition: support transformational change under certain conditions

4: **Political visibility of projects/programmes**  
To overcome barriers and provide stability

5: **Institutional innovation**

Existing institutions too weak or have different directions

7: **Modalities and Direct Access**

Small-scale local actors

6: **Stakeholder participation**

Perspectives of stakeholders aligned

# Conclusions

Our seven propositions may serve as **guidance for the design of effective ICF contributions**: potentials and trade-offs of current approaches

Need for **transparent negotiation** between national governments and donors for the type of support based on the context of each project

**Definition Finance - policy link**: Instrument to assist scaling up from project levels to national and sector-based transformation

**ICF currently based on ODA approaches** – but ICF for transformational change needs to go beyond

**Staying humble as provider of ICF should not prevent from thinking big**: ICF is (just) one element in transformational change processes among many, but scaling up of finance very much needed

Please find more info, the full report and the background studies at

[www.diw.de/snapfi](http://www.diw.de/snapfi)

Thank you for your attention.

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# References

Picture 1: The Prime Minister, Shri Narendra Modi and the German Chancellor, Dr. Angela Merkel at the Joint Press Statements, in Berlin, Germany on May 30, 2017 courtesy from Press Information Bureau on behalf of Prime Minister's Office, Government of India, Government Open Data License <http://pibphoto.nic.in/photo//2017/May/120170530103958.jpg>

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Picture 4: South African agricultural workers and union members plant cabbage seedlings courtesy Solidarity Center, Creative Commons. <https://www.flickr.com/photos/62762640@No2/16050425410>