



# CLIMATE CHANGE

## Climate Change Association and the Finance Coalition



## Priority actions to increase access to climate finance for non-state actors

Document adopted Sunday, December 10, 2017 as part of an  
international workshop labeled One Planet Summit



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SIDE EVENT

## **Priority actions to increase access to climate finance for non-state actors**

Meeting on December 10, 2017 in Paris for a final workshop to finalize priority proposals to facilitate their access to funding, non-state actors organizing jointly in the Climate Chance process have adopted by consensus 13 proposals to support the creation of an enabling environment, the improvements of financial mechanisms, and to propose priority areas of intervention as well as MRV measures for evaluation of financial mobilization.

This document builds on the work of the financing coalition created at the "Climate and Territories" summit in 2015, led by the FMDV (Global Cities Fund), UCLG (United Cities and Local Governments), GERES (Renewable Energies, Environment and Solidarities Group) and WECF (Women Engage for a Common Future). It also includes proposals from the Marrakech roadmap for a global framework for action to localize climate finance, adopted at the summit of local and regional elected representatives held during COP22. This document also echoes the declaration adopted at the UCLG World Council on 9 December 2017 in Hangzhou. These proposals were submitted for advice to all 200 organizations gathered in the Climate Chance Strategic Orientation Committee (Major Groups Focal Points to the UN Convention on Climate Change (UNFCCC), companies, communities, NGO networks, leading the twenty or so thematic coalitions collaborating in Climate Chance).

The Climate Chance event "Access to climate finance: the priority proposals of non-state actors" of 10 December 2017 was the latest opportunity to clarify and adopt the final document.

The approach is in line with the Declarations of Nantes (2016) and Agadir (2017), adopted at the last two Climate Chance Summits, which are to date, the two most widely signed declarations on a global scale by non-state actors (several thousand organizations from a wide range of global networks). These declarations emphasized the importance of linking the climate and development agenda (Paris Agreement and Sustainable Development Goals adopted in New York in 2015), the importance of a territorial approach and a priority of facilitating access to climate finance by non-state actors.

Indeed, the Paris Agreement recognized the decisive role, the responsibility and the contribution of non-state action to States in achieving their objectives and the raising of their commitments to the UNFCCC. Between US \$ 4.900 and US \$ 6.500 trillion of investment per year will be needed over the next 15 years to catch up on investment, address the transition of rural and urban areas, and steer infrastructure towards a climate-compatible path. If non-state actors do not benefit from easier access to financing, they will not be able to take action to meet the challenges and the goal of reducing greenhouse gas emissions to a limit in the rise of temperatures to below 2 degrees.

The document presented today is therefore the only set of proposals worked on so broadly by global non-state actors. These 13 priority actions to increase access to climate finance for non-state actors are now communicated to the French Presidency, the 196 national Party delegations of the UNFCCC, and the main financial organizations and international funders. The Climate Chance will follow up with of these actors to push for their consideration and implementation.

The non-state actors gathered in the Climate Chance process insist that these consensual and collectively worked-out proposals be taken into account in the discussions held on the 12th of December, as the world reaffirms its commitment for strengthening concrete climate actions.

## **A. Create enabling environments to facilitate access to climate finance for non-state actors**

1. Further develop and simplify the allocation criteria, the economic and regulatory requirements of international, regional and national climate funds in order to adapt them to the specific characteristics and needs of local actors in their diversity. For that, we propose:
  - a) To more specifically target within the existing funds, funding for non-state actors' projects, particularly for small-scale projects.
  - b) To define the modalities for direct or indirect facilitated access – including for the bundling and aggregation of small-scale projects - to the dedicated international climate funds: Green Climate Fund and Global Environment Facility in particular, but also within the lines of finance of the bi-lateral and multilateral development banks and Development Financial Institutions. Such access should avoid an increase in competition between non-state actors of different sizes and types and also take a gender-responsive approach.
  - c) To give a formal role to non-state actors in the governance of already established bodies in order to establish a permanent direct dialogue between the different levels of actions and actors, and in order to improve the mechanisms of accountability.
  - d) To integrate lessons learned from the Climate Investment funds by adopting country strategies to support local developments on an ongoing basis, and by supporting financial intermediation and financial innovation laboratories.
  - e) To set up a working group bringing together the main funds and representative networks of the main non-state actors concerned to identify and reduce the difficulties concerning the access to climate funds. Financial intermediaries working at different scales must be closely involved in this reflection.
2. Review the risk management arrangements (between public and private sector) and identification of projects in the light of climate and SDG issues:
  - a) The lack of risk management is one of the difficulties of access for non-state actors to the loans needed for their investments in mitigation and adaptation. More broadly, we defend the use of part of public climate funds as a funding guarantee for these loans and to cover part of risk management.
  - b) We encourage the development of methodologies for criteria and principles that promote and measure multiple benefits in order for them to contribute to achieving the Sustainable Development Goals. This work should facilitate to the priority financing of the most integrated projects, and to develop cross-financing with other development funds.
3. Strengthen access to information and networking:
  - a) Establish and deploy a system for identifying, analyzing, synthesizing and disseminating information on the variety of funding sources available for climate actions of non-state actors. This system will integrate the range of existing solutions and funds, from the international level (climate funds, development aid, decentralized cooperation as the "1% solidarity" mechanism, etc.) to the local level (tax incentive, crowdfunding, economic and financial short circuit, as well as flows and dynamics from the social and solidarity-based economy).
  - b) Support the sharing of information of existing or new information sharing platforms (national and international platforms) and guarantee through them better open source access to information.
  - c) Facilitate dialogue between funders, investors - including representatives and managers of public climate funds - and project' proponents of any size, through the establishment of "catalogs" of proposed project listings of non-state actors.

4. Further develop and adapt financial mechanisms:
  - a) Involve non-state actors in an overall reflection concerning innovative financing mechanisms to be developed.
  - b) Create a mechanism to be integrated in the Paris Agreement Rule Book, which is flexible and operational at the sub-national / local level. Such a mechanism should encourage adaptation funding by non-state actors, particularly by the private sector, by guaranteeing and remunerating measurable benefits or positive impacts of their investments for reducing vulnerability and managing climate risks.
  - c) Identify and develop products and systems that will allow channeling global savings into non-state climate action. Banks, insurance companies and non-state networks should reflect jointly on the financial products to enable this mobilization, and the selection frameworks for funded projects.
  - d) Foster the access of local governments, private actors and civil society to external financing through loans (including bond loans, taking into account the specific obstacles experienced by women and young people to financial access), and balanced public-private-citizens partnerships. In this regard, official development assistance and climate funds should play a role in stimulating investments by developing guarantee mechanisms for non-state actors that reassure investors.
5. Establish a transparency framework for climate finance: clear and coherent criteria for the definition and the monitoring of climate finance should be developed.

## **B. Priority actors and areas of intervention**

6. Develop a strategic approach to the integration of local governments in the operations of the Green Climate Fund. Support the direct access of local governments to financing by multilateral and bilateral development banks.
7. In support of the public interest, develop a real strategy for financing micro-projects, where funders prefer "big projects" as requiring less financial structuring and effort per million invested. Financing projects of village communities, women, very small businesses, especially those held by young people, must be a priority of international financial mobilization.
8. Finance strategic studies and the implementation of territorial planning tools (urban and rural, local and regional), a preliminary step in the development of mitigation and adaptation measures as part of community strategies and action plans, while the financial resources to be mobilized are modest.
9. Support the scientific, technical and financial capacity building programs of local communities and planning actors. In this context, decentralized South to South and North to South cooperation can play a valuable role. Although this is not their only purpose, these programs can play a key role in ensuring that local communities are able to prepare eligible projects for funding from various national and international funders.
10. Fund vocational training programs and develop hubs at national and local level (Fin Hubs), integrating the gender approach, to create the new transition jobs and to develop the sectors of renewable energies, sustainable housing, or climate-compatible agricultural techniques, etc.

## **C. Assess the financial mobilization**

11. Align accounting methods for climate finance at the international level and contribute to the application of a common approach to climate action finance, particularly concerning the access criteria to the different financial mechanisms.
12. Measure over time the evolution of access to finance by non-state actors and its impacts, integrating the gender-responsive point of view.
13. Strict mechanisms for MRV of climate finance should be developed and compliance enforced, including through peer review and third-party verification.