



PRECONDITIONS FOR EFFECTIVE CLIMATE FINANCE

A Pyramid Approach Based on Existing
Effectiveness Frameworks and Lessons Learned

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EXECUTIVE SUMMARY

Climate finance has not yet reached the agreed-upon target of USD 100 billion annually. Furthermore, while growing in importance for developing countries, climate finance has often been directed by a diverse set of actors and priorities. The NDC Partnership Support Unit has therefore developed a discussion paper that—based on the principles of Effective Development Cooperation— provides a practical approach for countries aiming to enhance climate finance effectiveness and increase international support. Deploying a country-led model could maximize the impact of investments and facilitate an overall increase in climate finance.

The paper analyzes the preconditions for the successful delivery of climate finance objectives in-country. The analysis is based on the collective experience of the NDC Partnership's work over the past five years and in three countries in particular: Indonesia, Jordan, and Rwanda. It presents a roadmap for recipient countries based on three interlocking components. They are:

1. **A programmatic approach**, aligned with NDCs, long-term strategies (LTS), and Sustainable Development Goals (SDGs);
2. **Climate mainstreaming**, which builds on existing or new country systems; and
3. **Transparency and mutual accountability**, including through a whole-of-society approach.

The Governments of Jordan, Rwanda, and Indonesia have followed comparable, but distinct approaches to creating these pre-conditions. Their experiences showcase their innovation but at the same time demonstrate the need for:

- **A more integrated practical approach** that improves the enabling environment for action and enables governments to focus resources on national priorities;
- **Country-driven and country-specific strategies** for ensuring climate finance and country priorities go hand in hand.

While a range of initiatives show promise in creating the three preconditions, the NDC Partnership's in-country engagement model appears particularly effective in addressing a broad range of challenges in a streamlined and transparent manner.



INTRODUCTION

In June 2021, participants in the UNFCCC Secretariat’s in-session workshop on long-term climate finance reflected on “[t]he need for more focus on the effectiveness and impact of climate finance and less on the amounts of climate finance provided and mobilized” (UNFCCC, 2021a). In other words, while climate finance is widely understood as critical to achieving the Paris Agreements’ goals, disproportionate attention has been paid to its quantity over its quality. Where efforts have been made to ensure climate finance is effective, these efforts have often concentrated on how development partners can program their financing rather than considering how recipient countries could lay a foundation for climate finance to realize its potential.

This paper attempts to chart a way forward for developing countries to make climate finance effective by drawing on lessons learnt during similar discussions between development partners and recipient countries about aid and development effectiveness. Section II introduces aid effectiveness and effective development cooperation principles, before briefly reviewing the evidence base for the latter set of principles, given their potential relevance to climate finance. Section III provides background regarding climate finance and the ways in which it is similar to and different from other forms of development finance. Section IV reviews previous attempts to apply existing effectiveness principles to climate finance or develop new principles. Section V proposes a practical approach based on three interdependent preconditions for effective climate finance (“the Pyramid”) at the recipient-country end based on those previous efforts and ongoing work in this area, assessing this approach through application to three country case studies. This discussion includes a checklist for each of the preconditions, proposing that recipient countries can use these lists to think through how to lay a strong foundation for climate finance. Section VI concludes by suggesting possible next steps.

While this paper focuses on the demand side of climate finance, what sources of finance can do to make that finance more effective is equally significant. Public and private supply-side actors need to do more to closely align their actions with recipient country’s priorities. As already noted, past effectiveness frameworks contain guidance for development partners that remains instructive for climate-finance providers. That being said, explicitly applying those frameworks to the climate finance context from a supply-side perspective may be a useful objective of future research.

Finally, this discussion paper is not intended to present the last word on a complex topic from the NDC Partnership Support Unit. Instead, it provides a basis for outreach to and discussion with our members and expert partners in order to further refine our understanding of this critical topic.



BACKGROUND: PRINCIPLES OF AID EFFECTIVENESS AND EFFECTIVE DEVELOPMENT CO-OPERATION

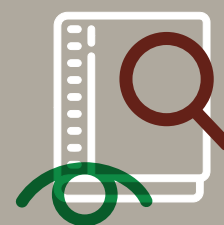
The past two decades have seen a series of international declarations and initiatives regarding aid and development effectiveness. The 2002 Monterrey Consensus of the International Conference on Financing for Development provided the foundation for four High-Level Fora (HLFs) on Aid Effectiveness coordinated by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) in Rome (2003), Paris (2005), Accra (2008), and Busan (2011). The Paris Declaration that resulted from the second HLF identified the five core principles of aid effectiveness as national ownership, alignment between donor funding and country priorities, harmonization of donor activities, managing for results, and mutual accountability of donors and partners (OECD, 2005). The Busan HLF acknowledged aid as “an important, but limited, resource for development,” expanding the agenda to development co-operation, which encompasses all public and private finance targeted at development outcomes and related domestic policy (OECD, 2011a, p. 10; see also Kim and Lee, 2013). In line with that goal, it endorsed the formation of the Global Partnership for Effective Development Cooperation (GPEDC), which was conceived as an alliance of “traditional donors, developing nations, new providers, civil society, parliamentarians and the private sector” (Brian Atwood (OECD-DAC Chair 2010-2012), 2012, p. 28).

Since 2012, the GPEDC—which is jointly hosted by the OECD and UN Development Programme (UNDP)—has supported the practical implementation of four principles of effective development co-operation: 1) country ownership; 2) focus on results; 3) inclusive partnerships; and 4) transparency and mutual accountability (GPEDC, 2016). The following sections briefly introduce each of these principles in turn and provide snapshots of current global trends. It bears underlining that both this framework and its predecessor focus on the conditions under which development cooperation or aid delivery are occurring rather than the ultimate impact of these activities. They provide a roadmap for improving these conditions under the assumption that these improvements will, in turn, produce increased and more sustainable impact.

COUNTRY OWNERSHIP

Country ownership refers to “the effective exercise of a government’s authority over development policies and activities, including those that rely—entirely or partially—on external resources” (OECD, 2006, p. 147). Echoing the first and second Paris Declaration principles, it calls for development support to be aligned with national development strategies, planning processes, and budgeting systems (GPEDC, 2016, p. 10). While early discussions on effectiveness largely focused on the role of government executives in controlling the design and implementation of development plans, a more recent understanding emphasizes the need for inclusive ownership that involves legislative bodies and civil society actors (Cluster A of the Working Party on Aid Effectiveness, 2011). The country ownership principle does not have a legal foundation but rather originates from an understanding that aid will only be effective if its intended beneficiaries see value in its impact and are prepared to sustain that impact.

In practice, GPEDC monitors five indicators under this principle, assessing the annual and medium-term predictability of development co-operation, the quality of countries’ public financial management (PFM) systems, development partners’ use of country systems, and whether aid is untied (meaning that it can be spent on goods and services from any country) (GPEDC, 2021). By way of example, one intervention captured by these indicators is the Collaborative Africa Budget Reform Initiative (CABRI), which has been working with finance and budget ministries in 40 African countries to improve the functionality of their PFM systems through peer learning and exchange. In spite of such efforts, development partners’ use of country PFM systems only increased from 50 percent to 53 percent between 2015 and 2018. In terms of the annual predictability of development cooperation, GPEDC’s monitoring also evidenced only marginal progress; the proportion of funding that development partners disbursed within the year it was scheduled increased from 85 percent to 87 percent between 2011 and 2018. Finally, although donors have made some progress in untying aid, the majority of contracts funded by Official Development Assistance (ODA) continue to be awarded to suppliers based in traditional donor countries (OECD/UNDP, 2019).



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(OECD, 2006, p. 147).

FOCUS ON RESULTS

Development results-based management (RBM) focuses on the “performance and achievement of outputs, outcomes and impacts” of development interventions in order to continuously improve their effectiveness at reducing poverty and inequality and building in-country capacity (OECD, 2010, pp. 33–34). Efforts to manage for results in this way are not without their challenges. Development stakeholders may assign partially conflicting purposes to RBM introduction, including reporting on domestic goals, fulfilling internal and partner monitoring and evaluation (M&E) requirements, ensuring public accountability, and learning from results. Emphasis on continuous measurement and reporting risks conflicting with the country ownership principle if it leads to stricter prioritizations in support of donor governments’ interests (Sjöstedt, 2013). The focus on results may also elevate easily measured interventions over more transformational ones (Vähämäki et al., 2011, pp. 22–23).

GPEDC promotes the use of country-level results frameworks and statistical systems, adapting results frameworks to reflect Sustainable Development Goal (SDG) targets, making data on results publicly available, and generating disaggregated data to report on progress under this principle (GPEDC, 2021, 2016, p. 2). Reflecting on progress in these areas in 2019, GPEDC reported that while the overall quantity and quality of national development planning had increased since 2011, country governments were largely embedding SDGs in their development strategies as overarching commitments rather than fixed targets and indicators. Additionally, while partner country governments were typically engaged in the design of the development partner’s country strategy, they were less engaged in monitoring and evaluating these strategies. Development partners’ reliance on country-owned results frameworks actually decreased between 2016 and 2018 (OECD/UNDP, 2019). These developments underscore the challenges involved in balancing the need for increased country ownership against partners’ own efforts to manage for results.

INCLUSIVE PARTNERSHIPS

Calls to create a global architecture of international development that would encompass increasing levels of South-South cooperation largely motivated the late 2000s paradigm shift from aid effectiveness to development effectiveness (Atwood, 2012; Li et al., 2018). GPEDC members pledged to create “an enabling environment for all partners, including parliaments, local governments, civil society, the business sector, philanthropy and trade unions” (GPEDC, 2016, p. 2).

For monitoring purposes, GPEDC has translated the inclusive partnership principle into two indicators tracking the quality of public-private dialogue and whether civil society organizations operate within an environment that maximizes their engagement in and contribution to development (GPEDC, 2021). Both private sector and civil society stakeholders had considerably

less positive views of their respective levels of engagement than country governments in GPEDC's most recent progress report in 2019, and conditions for civil society engagement actually appeared to have deteriorated since the 2016 monitoring round (OECD/UNDP, 2019). In terms of parliamentary engagement, "evidence shows that parliamentary oversight of development cooperation remains weak in both developed and developing countries, and that the scope parliaments actually have to play in this role varies widely" (Inter-Parliamentary Union, 2020).

TRANSPARENCY AND MUTUAL ACCOUNTABILITY

Transparency hinges on the public availability of information on development co-operation (OECD/UNDP, 2014). While countries often rely on their own systems for publicizing development co-operation information, GPEDC focuses on partner reporting to three global information systems and standards: the OECD Creditor Reporting System (CRS), the OECD Forward Spending Survey (FSS), and the International Aid Transparency Initiative (IATI). IATI has particularly focused on increasing the availability and usability of quality development co-operation information at the country level.

Transparency supports mutual accountability, which entails development stakeholders holding each other accountable for agreed commitments under government leadership, including through inclusive reviews (GPEDC, 2021; OECD/UNDP, 2019). GPEDC additionally monitors whether development co-operation is included in budgets subject to parliamentary oversight, and whether countries have systems to track and make public allocations for gender equality and women's empowerment under this principle, in line with Sustainable Development Goal (SDG) 5 (GPEDC, 2021). In its 2019 Monitoring Report, GPEDC found that less than half of its 161 partner countries had quality mutual accountability mechanisms in place but that those that did exist were increasingly inclusive (OECD/UNDP, 2019). Parliamentary oversight of national budgets dropped to 61 percent from 66 percent in 2016, as already indicated by the trends mentioned in the previous section. Finally, the report found that only 19 percent of GPEDC partner countries were fully meeting gender-related allocation tracking requirements, while 59 percent were approaching these requirements.

While the preceding review of the current state of development effectiveness efforts demonstrates that there is still a long way to go in implementing this framework, it also illustrates the value of articulating these standards and monitoring progress towards meeting them. The development landscape is hugely varied and complex, but these principles offer a standardized way to assess overall trends and understand why interventions may be falling short of their objectives. For the same reasons, developing a practical approach to promoting effective climate finance could help channel efforts to increase the scale and quality of its impact. Before exploring possible components of such a tool, the following section provides an overview of the political context, current levels, and distribution of international climate finance.



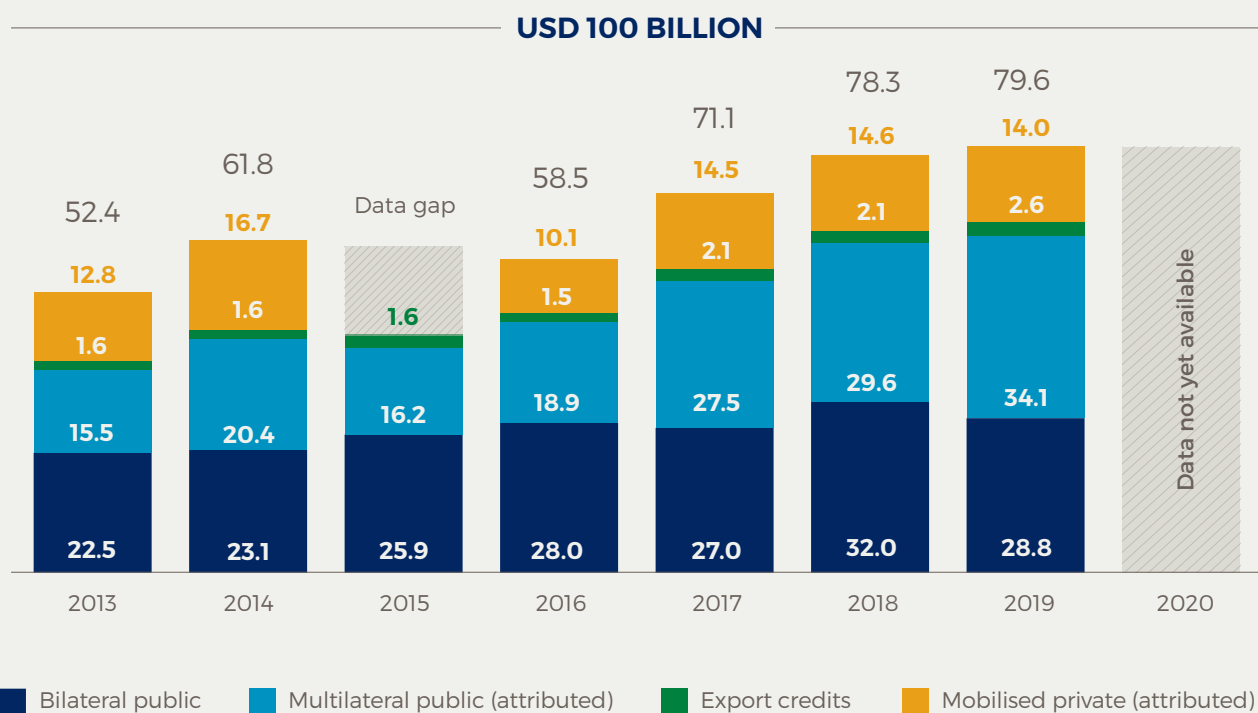
BACKGROUND: CLIMATE FINANCE

The United Nations Framework Convention on Climate Change (UNFCCC) Secretariat defines climate finance as “local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change” (UNFCCC, 2021b). Focusing on climate finance provided and mobilized by developed countries, the OECD tracks four components: “bilateral public climate finance, multilateral public climate finance attributed to developed countries, climate-related officially supported export credits, and private finance mobilized by bilateral and multilateral public climate finance, attributed to developed countries” (OECD, 2021, p. 3). This focus stems from the fact that developed countries committed to jointly mobilizing USD 100 billion a year in “new and additional” climate finance by 2020 “to address the needs of developing countries” at the 15th UNFCCC Conference on the Parties (COP15) in Copenhagen, in 2009 (COP, 2009, para. 8). COP21 saw the extension of this goal through 2025, with an additional commitment to set a new collective goal from a floor of USD 100 billion per year prior to the 2025 COP (COP, 2015, para. 53). In practice, however, developed countries’ contributions have fallen short of this amount.

**USD 100
BILLION**

The annual amount of “new and additional” climate finance that developed countries committed in 2009 to mobilize by 2020 to address the needs of developing countries.

FIGURE 1: CLIMATE FINANCE PROVIDED AND MOBILIZED (USD BILLION)



Source: OECD, 2021

According to OECD estimates, although annual provided and mobilized climate finance has increased steadily over the past decade, it still fell over USD 20 billion short of its target in 2019—the most recent year for which data is available (see Figure 1) (OECD, 2021).¹ Another recent estimate by the Center for Global Development (CGD) indicates that almost half of the OECD-reported figure for 2018 was not “new and additional,” given an overall increase in development finance of only USD 43.6 billion since COP15 (Mitchell et al., 2021). In fact, the United States (US), Spain, and Canada appeared to have decreased total development finance between 2009 and 2018. Although recent pledges by the US and other countries to increase levels of climate finance are encouraging, delivering USD 100 billion annually in the coming years remains a challenge (WRI, 2021).

Although the top-line OECD figures bear complication, they nevertheless provide useful insights into the current sources and distribution of international climate finance. Of the USD 79.6 billion recorded by the OECD for 2019, 34 percent came through multilateral institutions,

¹ Total annual global climate finance flows peaked at an estimated USD 612 billion in 2018 (Buchner et al., 2019).

29 percent from bilateral agreements, and 14 percent from private sector sources mobilized through official development finance.. 43 percent went to countries in Asia, followed by 26 percent to African countries and 17 percent to the Americas. Mitigation continues to represent two-thirds of total climate finance, with energy and transport activities making up almost half of the 2019 amount (OECD, 2021).



APPLYING EFFECTIVENESS PRINCIPLES TO CLIMATE FINANCE

Climate finance encompasses a broad range of financing at different levels, from varied sources, with diverse aims, which makes assessing its effectiveness according to a standardized methodology particularly challenging. The same point could be made about aid or development cooperation, both of which have benefitted from efforts to identify generalizable markers for their success, but climate finance also differs from these finance flows in terms of its sources, the degree of voluntariness, and the dynamics driving its outcomes. Aid has typically been understood in much more homogenous terms, referring to “voluntary transfers, politically determined by donor governments” (Bird and Glennie, 2011). Climate finance, in contrast, places “greater emphasis on private flows and innovative sources” (id.)—although in practical terms, climate finance remains almost entirely a subset of development finance—and is linked to commitments with specific targets like the USD 100 billion goal discussed in the previous section. The term development cooperation covers a wider array of financing but remains primarily focused on reducing poverty—the dynamics of which are far less uncertain than those of climate change. Given these differences, climate finance may require a more tailored approach to assessing its potential effectiveness.

As already indicated, the perceived effectiveness of climate finance depends on which stakeholders are assessing it; development, climate, and private sector stakeholders may assess effectiveness against divergent environmental, economic, or equity-related objectives (Bhandary et al., 2021; Ellis et al., 2013). Given this diversity of objectives, the effectiveness of climate finance can only be defined in general terms “as the extent to which an activity attains its stated aims, [which] can vary, depending on the source of climate finance and how it is channeled” (Ellis et al., 2013). That being said, the country ownership principle described above also finds application here (as do the others), suggesting that the priorities of the countries receiving climate finance should ultimately shape its goals and effectiveness measures for delivery of goals. Countries may articulate these priorities and corresponding results in a number of ways, including through national, legal and policy instruments, Nationally Determined Contributions (NDCs), and Long-Term Strategies (LTSs).

Regardless of which benchmarks are used to assess performance, there are significant data and research gaps regarding the empirical impacts of climate finance policies (Bhandary et

al., 2021). Much of the existing research into the climate finance effectiveness has focused on analyzing the impact of multilateral climate funds, rather than the broader landscape of climate finance, including private sector finance (see, e.g., Brown et al., 2011; Forstater et al., 2013; Nakhooda, 2013; Nakhooda et al., 2014; Trujillo and Nakhooda, 2013). In spite of these methodological challenges, there is widespread consensus that aid and development effectiveness principles can apply to climate finance but “a broader set of preconditions may be required for effective international climate finance, given the increasing role of private climate finance, South-South and triangular co-operation [(South-South-North Cooperation)], as well as domestic enabling environments to shift and mobilize investments consistently with low-carbon, climate resilient development” (Zou and Ockenden, 2016; see also Norrington-Davies and Thornton, 2011; OECD, 2011b). Additionally, existing frameworks may need to “be built on to take account of the consensus within the UNFCCC negotiations on the principles appropriate for climate finance” (Bird and Glennie, 2011).

Table 1 provides a side-by-side comparison of several effectiveness frameworks or studies (including the aid and development effectiveness principles introduced previously), with related principles or preconditions listed in the same row. The third source reflects an effort by the Overseas Development Institute (ODI) to compare aid effectiveness principles to climate finance principles embedded in UNFCCC negotiation texts. The fourth source—from a research project led by a consortium of researchers from the Environmental Defense Fund (EDF), Climate Policy Initiative (CPI), Brookings Institution, and ODI—summarizes findings from an extensive survey of various climate finance institutions, while the fifth draws on interviews of stakeholders from countries both receiving and providing climate finance, as well as international organizations and research institutions. None of the latter three sources claims to provide an exhaustive set of effectiveness principles, instead helping to extend the existing frameworks into the climate finance context and shed light on their potential limitations.

TABLE 1: COMPARISON OF DIFFERENT EFFECTIVENESS FRAMEWORKS

(1)	(2)	(3)	(4)	(5)
Paris Declaration on Aid Effectiveness, 2005	Busan Partnership for Effective Development Cooperation, 2011	Bird and Glennie, 2011 (ODI)	Chaum et al., 2011 (ODI, EDF, CPI, Brookings)	Zou and Ockenden, 2016 (OECD)
National ownership	Country ownership (including predictability, and quality and use of country systems)	National ownership	Supports actions that are nationally owned and aligned with local and national priorities	Use of country systems and role of national climate funds (contested by interviewees)
Alignment between donor funding and country priorities		Timeliness	Relies on predictable, coordinated and less fragmented funding;	

Continued on next page

(1)	(2)	(3)	(4)	(5)
Paris Declaration on Aid Effectiveness, 2005	Busan Partnership for Effective Development Cooperation, 2011	Bird and Glennie, 2011 (ODI)	Chaum et al., 2011 (ODI, EDF, CPI, Brookings)	Zou and Ockenden, 2016 (OECD)
	Inclusive partnerships	Equitable representation	Ensures most effective balance between public and private capital	Engagement of civil society, local government, and private sector
		Fair distribution	Promotes clear objectives that are shared among key stakeholders	Co-ordination and clear allocation of responsibilities
				Mainstreaming climate change into development planning and policies
Managing for results	Focus on results		Applies results-based approach	Tracking and monitoring systems in recipient countries
Mutual accountability of donors and partners	Transparency and mutual accountability	Transparency	Administered transparently; results shared to promote accountability and support effective prioritization; strong "real-time" systems to measure progress/ allow modification	Readiness & ease of access to climate funds
		Accountability		
		Appropriate (not resulting in additional burdens)		
			Supports activities with powerful transformative/ demonstration effect	
		Complementarity	Considers cost-effectiveness	
		Polluter pays		
		Additionality		

The comparison presented in Table 1 suggests a substantial amount of overlap between different effectiveness frameworks. All five emphasize versions of country ownership, and transparency and mutual accountability, although different sources emphasize different aspects of these overarching principles. This suggests the traditional effectiveness principles remain broadly relevant in the climate finance context but may benefit from clarification and more granular assessment of their component parts. The climate-specific third, fourth, and fifth sources include several additional potential effectiveness principles, supporting the notion that the particularities of climate finance necessitate a practical approach that departs in important ways from the preceding aid- and development-focused efforts. As already mentioned, however, these three sources do not attempt to provide comprehensive frameworks. The following section draws on three country case studies to apply the principles compared to recipient countries' sphere of action in the climate finance context.



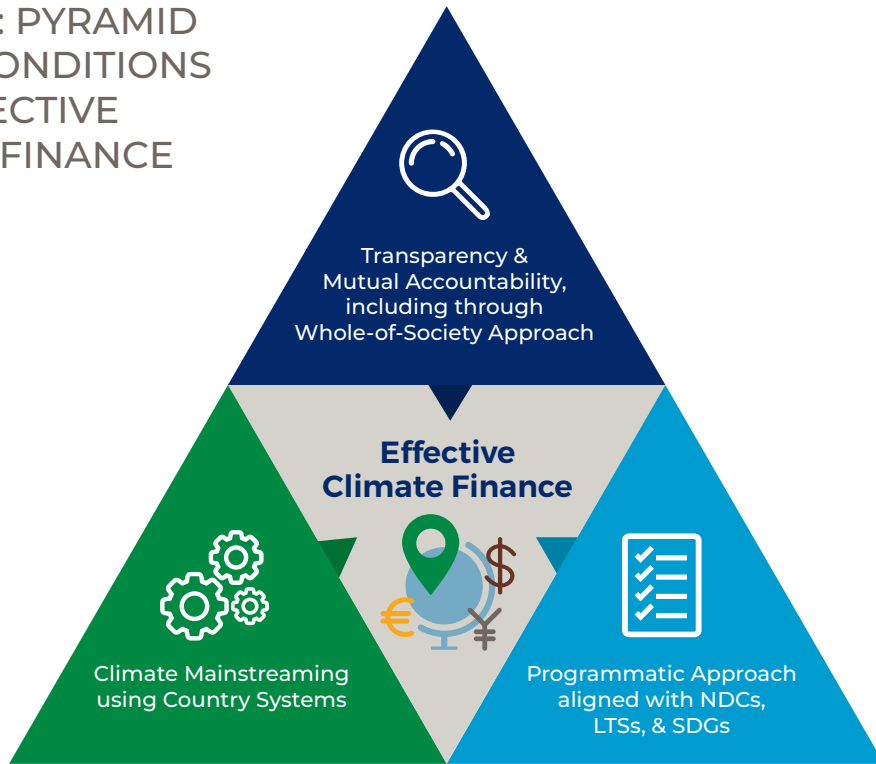
BRIDGING THE GAP: PYRAMID OF PRECONDITIONS FOR EFFECTIVE CLIMATE FINANCE

Building on the preceding literature review and analysis, this section proposes a pyramid of three interdependent preconditions for effective climate finance from a recipient country perspective (see Figure 2). These preconditions are illustrated by comparative case studies of three countries: Indonesia, Jordan, and Rwanda. The following sections do not present an exhaustive account of the climate finance architecture in the countries in question. Instead, they highlight key aspects of that architecture that are relevant to building the Pyramid. Each of these aspects critically depend on countries having sufficient capacity to access finance in the first instance, so enabling access through strengthened capacity must remain a priority. Additionally, “difficult political decisions must be made and leadership shown by both developed and developing countries” for the three corners of the pyramid to successfully drive more effective climate finance (Chaum et al., 2011).

CHECKLIST FOR A PROGRAMMATIC APPROACH

<input type="checkbox"/>	Longer-Term Development Vision
<input type="checkbox"/>	Medium-Term Development Plans
<input type="checkbox"/>	National M&E Framework
<input type="checkbox"/>	Long-Term Strategy
<input type="checkbox"/>	Economic Recovery Plans
<input type="checkbox"/>	Medium-Term Expenditure Framework
<input type="checkbox"/>	Public Investment Programming

FIGURE 2: PYRAMID OF PRECONDITIONS FOR EFFECTIVE CLIMATE FINANCE



The three countries selected represent a wide range in terms of economic conditions, demographics, vulnerability to climate impacts, and mitigation and adaptation potential. Rwanda is low-income, Indonesia is lower middle-income, and Jordan is upper-middle income according to the latest World Bank income classifications (World Bank, 2021a). While Jordan and Rwanda have populations of 10 and 13 million, respectively, Indonesia has a population twenty times as large. These three countries are also each facing their own unique climate-related challenges and opportunities for mitigation and adaptation, owing to their divergent economic structures, geographies, and exposure to climate hazards. These distinctions make comparison difficult but also allow assessment of the proposed preconditions in a number of contexts, strengthening the case for their broad applicability.

While the Pyramid is grounded in the frameworks discussed above, it builds on them in several important ways. Following the structure of these frameworks, it offers insights into creating an enabling environment for climate finance rather than measuring the outcomes of climate finance. However, where existing frameworks often focus on donor's actions (e.g., predictability of finance, alignment with local and national priorities), the Pyramid centers on actions recipient country governments may take in conversation with development partners to lay the groundwork for climate finance to be effective in their countries. Additionally, although the three proposed preconditions stem from existing effectiveness principles, they

are more process oriented. By way of example, climate mainstreaming using country systems is a means of achieving country ownership, while a whole-of-society approach contributes to improved inclusiveness, transparency, and accountability. At the same time, as represented by the interlocking structure of the Pyramid, these preconditions are interdependent; they have the potential to reinforce each other when effectively implemented and undermine each other when weak or absent. A strong foundation for climate finance only exists where all three preconditions are present. While countries will develop their own, individualized approaches to laying this foundation, each of the following sections includes a checklist to help recipient country governments think through possible components of their approach.

PROGRAMMATIC APPROACH, INCLUDING THROUGH ALIGNMENT WITH NDCS, LONG-TERM STRATEGIES (LTSS), AND SUSTAINABLE DEVELOPMENT GOALS (SGDS)

According to a programmatic approach, climate-related financing focuses on long-term programs rather than individual projects, strategically pursuing multiple, interconnected projects under a common objective with a large-scale contribution towards a country's climate commitments. This strategy helps break down abstract, transformative goals—like those articulated through NDCs, LTSS, and the SDGs—into packages of more tangible, costed actions. Several multilateral development organizations and funds, including the GCF and Global Environment Facility (GEF), already apply this approach where possible (GCF, 2020; GEF, n.d.). NDC Partnership Plans follow the same approach, providing an accessible roadmap for NDC implementation as a basis for transparent stakeholder engagement and a platform for real-time coordination between governments and partners. Channeling climate finance through such programmatic mechanisms prevents overlapping efforts, promotes synergies, and ensures the effective use of limited resources.

Jordan's NDC Action Plan and Rwanda's NDC Implementation Framework (the countries' "Partnership Plans") are both explicitly aligned with the countries' respective NDCs and follow a programmatic model. The Plans present several interrelated, high-level objectives (e.g., "transition to a low carbon economy" in Jordan's Plan and "integrated and sustainable land management" in Rwanda's) before breaking them down to the project or activity level, making it easier for a range of implementing and development partners to provide support. As already mentioned, Rwanda's Partnership Plan is tied to the country's Green Growth and Climate Resilience Strategy, which is guided by the country's broader sustainable development strategy (SDGs Partnerships Platform, n.d.).

Jordan and Indonesia have both responded to the COVID-19 pandemic with NDC-oriented, programmatic initiatives. In June 2021, the World Bank Group approved a USD 500 million program to catalyze public and private investments in Jordan for a green and inclusive recovery from the pandemic through a series of climate-responsive investments and interventions (World Bank, 2021b). The Government of Indonesia recently unveiled its Green

Recovery Roadmap (2021-2024), which details five principles for green recovery and identifies priority climate actions in the energy, waste, and plantation sectors (Ministry of National Development Planning (Indonesia), 2021). Both countries are also working to harmonize their NDCs and long-term strategies (LTSs). The World Bank is assisting the Government of Jordan to develop an NDC-aligned Roadmap for its 2050 LTS. The Government of Indonesia submitted its Long-Term Strategy for Low-Carbon and Climate-Resilient Development 2050 (LTS-LCCR 2050) to the UNFCCC together with its updated NDC in July 2021, ensuring that the revised NDC provides an indicative pathway towards the LTS.

CLIMATE MAINSTREAMING USING COUNTRY SYSTEMS

Country ownership depends on “the extent to which developing countries exercise leadership over their climate change policies and strategies” (Bird and Glennie, 2011). The programmatic approach discussed above provides a methodology for planning and coordinating climate action that countries then realize through national systems. Just as country ownership in the development context requires development support to be aligned with national and subnational planning and budgeting processes, recipient countries can only effectively direct climate finance once those same processes integrate climate objectives, ideally as articulated by existing instruments like NDCs and LTSs. This integration process not only sends the clear message that climate action is a priority at the highest levels of government, but it also ensures that implementation of climate policy becomes the responsibility of government actors at all levels and across sectors. It additionally clarifies the framework(s) for climate finance mobilization and tracking, firmly establishing government leadership of those processes.

Beyond baseline mainstreaming of climate into existing systems, countries often choose to supplement these systems with national mechanisms tailored to climate finance, in the form of dedicated funds or climate-focused planning instruments, for example. The governments of Indonesia, Rwanda, and Jordan have experimented with various permutations of this model, demonstrating that there is no one-size-fits-all approach to climate mainstreaming.

In 2020, the Government of Indonesia incorporated low-carbon and climate-resilient development priorities and indicators into its National Development Plan for the first time (Ministry of National Development Planning (Indonesia), 2021). Although this is a recent change, it reflects a years-long effort by the Government to mainstream climate into national systems. The Government developed the first national fund to seek funding from multiple development partners to finance climate action (Halimanjaya et al., 2014). It launched the Indonesia Climate Change Trust Fund (ICCTF) in 2009 in order to better align development assistance for climate change with government-defined development priorities and to improve pooling and coordination of grants for climate change-related programs (Brown and Peskett, 2011). The Ministry of National Development Planning (Bappenas) took over management of the Fund from UNDP after 2015, integrating the Fund within national budget mechanisms (Dalberg, 2015; ICCTF, 2018). In late 2019, Indonesia’s Ministries of Finance, and of Environment and Forestry

established the Public Agency for Environment Fund Management (*Badan Pengelolaan Dana Lingkungan Hidup*, BPD LH) as a non-structural entity under the Ministry of Finance to manage environment- and climate-related funds, including international financing (Mafira et al., 2020). The ICCTF presents an innovative model of country ownership over climate finance mobilization and coordination, although in practice most climate finance continues to flow through other channels (Halimanjaya et al., 2014; Ministry of Finance (Indonesia) and CPI, 2014; Sherifdeen et al., 2020) tackling climate change has persistently featured in international discussions, with the main issues centring on mobilising adequate global response and effectively coordinating and channelling this response at the sub-national levels. In order to effectively mobilize and harmonize resources to address climate change at country level, the idea of establishing national climate finance institutions (NCFIs). While resource mobilization remains a challenge, the fund “has been effective in managing and allocating existing funding [...] to implement adaptation programs in line with national policy pathways and with good representation of stakeholders” (Sherifdeen et al., 2020).

The Government of Indonesia was also an early adopter of climate-budget tagging, which enables governments to track and monitor climate-related expenditures in the national budget system and can critically enhance transparency around climate-related spending. In 2016, the Government developed its tracking framework for mitigation expenditures with UNDP assistance. It expanded this framework to start tagging adaptation expenditures in 2018 (International Bank for Reconstruction and Development and World Bank, 2021; Ministry of Finance (Indonesia), 2019). This comprehensive

CHECKLIST FOR MAINSTREAMING CLIMATE USING NEW OR EXISTING COUNTRY SYSTEMS:

<input type="checkbox"/>	National Climate Strategy exists (in one or more forms as below):
	<ul style="list-style-type: none"> • Nationally Determined Contributions
	<ul style="list-style-type: none"> • National Adaption Plan
	<ul style="list-style-type: none"> • Low Carbon Development Strategy
<input type="checkbox"/>	Climate Action Plan / Implementation Plan in place
<input type="checkbox"/>	Climate is mainstreamed into:
	<ul style="list-style-type: none"> • National Development Plans
	<ul style="list-style-type: none"> • Sub-national Plans
	<ul style="list-style-type: none"> • Sectoral Plans
	<ul style="list-style-type: none"> • District Development Plans
	<ul style="list-style-type: none"> • National Budget:
	<ul style="list-style-type: none"> • Budget Call Circular
	<ul style="list-style-type: none"> • Budget Submissions by Sectors
	<ul style="list-style-type: none"> • Budget Screening
<input type="checkbox"/>	National Climate Finance / Fund is established and operational (where relevant)

approach has made it possible to compare mitigation and adaptation spending; revealing, for example, that the Government allocated 57 percent of its climate spending to mitigation actions in 2020 (Ministry of Finance (Indonesia), 2021).

Echoing some of Indonesia's strategies, the Government of Rwanda has capitalized on strong political support for climate action to develop a unified, national structure for climate finance, grounded in the country's broader development planning. Since its establishment in 2012, Rwanda's National Fund for the Environment and Climate Change (*Fonds National de l'Environnement du Rwanda*, FONERWA) has served as the main vehicle for climate finance in the country (Bécault et al., 2016). FONERWA has been government-run since its inception and is the largest fund of its kind in Africa. It has mobilized USD 215 million to date from both international and domestic sources, to support Rwanda's Green Growth and Climate Resilience Strategy (FONERWA, 2021; Uwababyeyi and Andoshe Feynet, 2019). That Strategy, along with Rwanda's revised NDC, served as a basis of Rwanda's fully costed NDC Implementation Framework, which FONERWA's Department of Resource Mobilization supervises. The Framework includes flagship projects for low-carbon, climate-resilient development, such as fueling household energy consumption with natural gas drawn from Lake Kivu, restoring urban forests and landscapes around Kigali, and implementing a pilot green-city project to make Rwanda's urbanization more sustainable. This approach has allowed development and implementing partners to support climate action in Rwanda through a country-led structure that is fully aligned with other components of the country's climate architecture. Finally, Rwanda's Ministry of Finance plans to introduce climate budget tagging over the coming budget year, eventually hoping to expand its system to cover spending by development partners, private sectors actors, and CSOs (CABRI, 2021).

The Government of Jordan has focused on knitting together its climate policy and development planning, while also setting up an international partner coordination mechanism on climate change. The Government of Jordan's NDC Action Plan identifies priority, NDC-aligned adaptation and mitigation actions in the transport, energy, agriculture, health, and water sectors. The Plan is aligned with the National Climate Change Policy and the National Green Growth Plan, and the Government plans to mainstream it in the national development plan for the upcoming three years and the Executive Development Plan (EDP) (Salameh et al., 2021). Jordan's Prime Minister has instructed all ministries and national institutions to include the Action Plan in their respective development plans. Further cementing national ownership over this process, the Government set up five Sectoral Working Groups in 2020 to review NDC implementation options in the previously listed key sectors and prioritized 35 actions for implementation and partner support based on their potential for impact, sustainable development profile, and gender and vulnerability considerations. Through this prioritization process and a subsequent cost-benefit analysis of the identified projects, the Government can direct support from development and implementing partners and other sources towards the interventions it finds most significant and capable of producing transformative results. Jordan's Ministry of Finance is also currently working with the Global

Green Growth Institute (GGGI) to explore development of a mechanism for tracking climate-related expenditures (Salameh et al., 2021).

TRANSPARENCY AND MUTUAL ACCOUNTABILITY, INCLUDING THROUGH A WHOLE-OF-SOCIETY APPROACH

Transparency depends not only on the public availability of information on climate finance, but also how detailed that information is, the extent of its coverage, how frequently it is reported, and whether it provides any forward-looking coverage. Disclosure should not only cover reporting at the project level, but also provide clarity about the relevant institutions' decision-making and funding structures (Schalatek and Bird, 2016). Transparency is a prerequisite for mutual accountability, which aims for stakeholders in climate-related projects to maximize the collective impact of their actions by coordinating and holding each other accountable for agreed commitments under government leadership. A whole-of-society approach mainstreams climate considerations into all relevant decisions across government institutions and administrative levels and gives non-state actors—including the private sector—meaningful opportunities for engagement with and influence over those decisions. Multi-stakeholder governance of this kind can encourage efforts to build consensus, provide built-in checks and balances, support mutual accountability through inclusive assessments of progress, and ultimately smooth the way for policy implementation. The programmatic approach discussed earlier supports all these elements by promoting synergistic collaboration between stakeholders based on publicly shared data and planning documents.

CHECKLIST FOR TRANSPARENCY AND MUTUAL ACCOUNTABILITY

<input type="checkbox"/>	Climate as a standalone agenda item for discussion in Sectoral Working Groups
<input type="checkbox"/>	Climate change governance bodies established and operational (one or more):
	<input type="checkbox"/> Presidential Committee
	<input type="checkbox"/> Ministerial Committee
	<input type="checkbox"/> NDC Steering Committee (with representation from whole of society)
<input type="checkbox"/>	Progress reports

All three countries under discussion involved a range of government ministries and non-state actors in the development of key climate policy documents and finance instruments, and in the continued management of the latter, although parliamentary engagement remains a challenge. As already indicated by the preceding discussion about Jordan's Sectoral Working

Groups, the Government of Jordan developed and implemented its NDC Action Plan through sustained engagement with relevant line ministries, institutions, and civil society organizations (CSOs). While the Ministry of Environment and Ministry of Planning and International Cooperation led this effort, more than 15 ministries and institutions are now involved in carrying it out (Salameh et al., 2021). The Government of Jordan has also been making a concerted effort to engage the private sector, including by actively identifying investment opportunities in its NDC Action Plan and through Project Information Notes (PINs), and by hosting targeted workshops for private sector actors (e.g., GGGI, 2021; Salameh et al., 2021).

In Rwanda, the Ministries of Natural Resources and of Finance worked closely to develop FONERWA, the oversight mechanisms of which include government officials, development partners, CSO representatives, and technical experts. Rwanda's revised NDC and NDC Implementation Framework are based on consultations with government, private sector, and civil society actors, including through Sector Working Groups and Joint Sector Reviews (NDC Partnership, 2020). Sector Working Groups also play a critical role in development partner coordination, regularly bringing together Government officials with other stakeholders to discuss sector and cross-sector planning and prioritization according to national development plans. The Government of Rwanda has established two private sector committees, one led by FONERWA to coordinate climate-action financing in Rwanda's private sector and ensure private sector projects are submitted to major financing institutions (like the Green Climate Fund, or GCF), and the other comprised of Private Sector Federation (PSF) members to compile climate change-related projects for submission to the first committee.

In Indonesia, multi-sectoral consultations with relevant line ministries, other government institutions, academia, the private sector, and CSOs shaped the content of the country's updated NDC and LTS-LCCR 2050. The Government is currently socializing these documents among a broad range of stakeholders involved in implementation (GGGI Indonesia, 2021). ICCTF's Board of Trustees is made up of representatives from four government ministries and four development partners, one CSO representative, one private sector representative, and one academic (ICCTF, 2018). In addition, 18 CSOs were involved in the design of ICCTF's management structure through two workshops in 2010 (Climate Funds Update, n.d.). Although Indonesia has struggled to mobilize private climate finance, since March 2018, Indonesia's Ministry of Finance has issued an annual sovereign Green Sukuk (a Sharia-compliant investment vehicle that funds sustainable development projects), which has raised more than USD 2.75 billion from a broad range of investors (Meattle and Zeki, 2020; UNDP, 2020).

In a 2014 report, the Indonesian Ministry of Finance noted that "streamlining of reporting processes for international development partners to different government actors would help increase transparency" (Ministry of Finance (Indonesia) and CPI, 2014). The ICCTF's M&E system appears to have succeeded to some extent in addressing this issue. A recent assessment found that the system—which "includes pre-project assessment, monitoring and spot-checking,

regular evaluations (mid-term and final), quarterly financing reporting submitted by projects, documenting and dissemination of lessons learned, and independent international auditing” (Tänzler and Maulidia, 2013)—was operating in a timely manner and with a high degree of transparency (Sheriffdeen et al., 2020).

While the scale of these challenges is of a different order of magnitude in Jordan and Rwanda, both countries have proactively demonstrated a commitment to transparency and mutual accountability by publishing their Partnership Plans to the NDC Partnership’s publicly available Online Partnership Plan Tool. The Partnership facilitators in both countries are responsible for regularly updating the information contained in the online plans based on input from partners. In this way, any member of the public can access information about the nature of a particular project, which partners are involved that project, and how it is progressing. Rwanda is also receiving technical assistance from the Swedish Environmental Protection Agency to strengthen national capacity for NDC implementation, tracking progress and reporting by upgrading the existing result-based monitoring and evaluation system, and training sector experts (NDC Partnership, 2020). Jordan is receiving support from the World Bank to establish an MRV system, as part of the Partnership for Market Readiness (PMR) Initiative. Both of these efforts help strengthen the third corner of the Pyramid through enhanced transparency and accountability.



CONCLUSION

The preceding literature review and case studies make a strong case for developing a standardized, practical approach for recipient countries attempting to ensure climate finance's effectiveness at the finish line. The Pyramid highlights some of the most common obstacles to delivering on the objectives of climate finance in-country and presents a roadmap for recipient countries to overcome these obstacles through climate mainstreaming, a programmatic approach, and whole-of-society-based transparency and accountability. The Governments of Jordan, Rwanda, and Indonesia have followed overlapping, but distinct approaches to building the Pyramid, underlining the need for country-driven and country-specific strategies for ensuring climate finance realizes its potential impact relative to country priorities. While a range of initiatives show promise in creating the three preconditions, the NDC Partnership's model appears particularly effective in addressing a broad range of concerns in a streamlined and transparent fashion. The Pyramid may also find application outside of the climate finance context, to support the effectiveness of more traditional development interventions. As noted in the introduction, further research may be needed to provide an equivalent supply-side tool for climate-finance providers.



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