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CONCEPT NOTE

Regular meeting of

Inter-American Council for Integral Development (CIDI)

APRIL 25, 2023

**THEME: CLIMATE FINANCE IN THE AMERICAS, TOWARDS A COLLABORATIVE**

**REGIONAL BLUEPRINT**

1. **Background/Justification**

Over the course of the meetings of the Inter-American Council for Integral Development (CIDI) held in the first semester of 2023, member states have been presented with, and have discussed the situation wherein the environmental, economic, social, and political situation throughout the world – and notably in the Americas – is threatened by the reality of climate change. To address the challenges of climate change we need to: 1) slow down the pace of warming by reducing the emissions/release of greenhouse gases – Mitigation; and 2) reduce the vulnerability and increase the resilience of our populations to the inevitable effects of climate change – Adaptation.

Climate change poses a critical threat to all member states and is a central issue on the region's political and development agenda. One of the most significant challenges facing countries is the need to increase the scale and speed of climate finance flows, which is especially true for developing countries with constrained fiscal resources to mitigate and adapt to the effects of climate change. The Paris Agreement represents a significant milestone for climate finance flows to developing countries, providing them with support to pursue a net-zero emissions pathway and foster climate-resilient development. However, The COVID-19 pandemic and the war in Ukraine have diverted some attention away from climate change. However, the recent UNFCCC COP27 and ongoing United Nations Biodiversity Conference COP15 are now bringing attention back to the pressing global challenges of climate change and biodiversity protection. These global conventions underscore the urgent need for innovative financing schemes that involve governments, companies, and civil society. Such financing schemes are vital to catalyze carbon-neutral investments, create green jobs, and reduce the world's dependence on fossil fuels.

Climate Action – those activities designed to mitigate and adapt to climate change – requires significant financial investments; this is where climate finance comes in. A key challenge facing countries is increasing the scale and pace of climate finance flows. This is particularly true for developing countries with limited fiscal headroom to de-risk private sector investment in climate change mitigation and adaptation.

There have been some positive developments on reducing the scarcity gap regarding climate finance. Nonetheless, many questions remain unresolved, such as those related to the role of the Latin America and the Caribbean (LAC) region during the COP negotiations process, the different mechanisms used for the implementation and the lack of harmonization of procedures and transparency to catalyze the so much needed financial support in our region.

Meeting the commitments for mitigation and adaptation presents a challenge for all countries, particularly those in developing regions, as the cost of investments required for Climate Change can be significant. The United Nations Framework Convention on Climate Change (UNFCCC) COP27 in Egypt highlighted that developing countries alone require an estimated $1 trillion annually in external funding to achieve their Nationally Determined Contributions (NDCs). These funds are essential for initiatives such as reducing emissions, managing the aftermath of catastrophic events, and rehabilitating the natural environment. In addition to their own expenses, these countries require external financial support to fulfill their climate change goals.[[1]](#footnote-1)/

Access to climate finance is a major hurdle for most countries in LAC, especially the most vulnerable and least developed ones The pursuit of equity in climate finance is critical as, smaller economies with limited financial and institutional capacities are at a disadvantage when seeking access to such funds. This is reflected in the in global climate finance flows for LAC through existing mechanisms between 2010 and 2020 (<https://climatefundsupdate.org/publications/climate-finance-regional-briefing-latin-america-2020>). This disadvantage is compounded by the high upfront costs involved in project development (e.g., concept and project documents, legal fees, and due diligence, among others). Estimations put these costs at US$200,000 to 500,000 depending on the project.[[2]](#footnote-2)/

To meet the substantial needs of the world to invest in climate action, private financing must play a pivotal role. Examples of private financing for climate include sustainability-linked loans and bonds, green loans and bonds, and direct investments in climate-beneficial projects.[[3]](#footnote-3)/

The task at hand is certainly not an easy one, but the Organization of American States (OAS) is ideally positioned to advocating for and supporting its member states in strengthening regional dialogue through the Fourth Inter-American Meeting of Ministers and High-Level Authorities on Sustainable Development and provide technical assistance to strengthen national capabilities to access climate funds. The Ministerial meeting can result in greater regional coordination and preparation for COP28, allowing the region to deliver a cohesive message and propose mechanisms that facilitate access to current and future financial flows. This will enable the region to take significant steps towards a more sustainable, inclusive, and climate-resilient future.

1. **Purpose of the meeting**

The purpose of the meeting is to discuss the challenges and opportunities for increasing climate finance flows, with a focus on the LAC region, in order to meet the substantial financial needs of the region for climate change mitigation and adaptation. The meeting will provide member states with an opportunity to share their challenges, priorities for action and expectations related to current Climate Finance mechanisms. The meeting will also address unresolved questions related to the challenges faced by the mechanisms in implementation.

Questions for member states will feature:

1. How significant is it for member countries to access climate funds?
2. How can the Executive Secretariat for Integral Development (SEDI) of the OAS collaborate with member states to enhance their capacity to access these funds when required?
3. Drawing on your country's experience, what steps can member states take to boost their share and capacity of climate finance and investment?
4. What measures can the LAC region collectively implement to increase access to and participation existing climate financing particularly among smaller economies
5. What role do you believe the LAC play in shaping climate finance strategies for the upcoming COP28?
6. What specific technical assistance does your country need to enhance its capacity to access climate funds?
7. **Relevance to SEDI**

* Enhance the fulfillment of the commitments outlined in the Paris Agreement
* Strengthen the implementation of 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs)
* Promote data-sharing dialogues, protocols, and frameworks to help member states improve their capacities to mobilize of climate financing
* Foster regional dialogue, cooperation and knowledge sharing on Climate Financing, including mechanisms for sharing best practices and lessons learned by the Development Banks and Climate Funds
* Receive government inputs for a prospective Inter-American Meeting of Ministers and High-Level Authorities on Sustainable Development

1. **OAS mandates**

On June 9, 2022, the Heads of State and Government of the Americas, gathered together at the Ninth Summit of the Americas in Los Angeles, United States, having reached consensus on the importance of more resilience in the Americas, therefore, adopted Our Sustainable Green Future and the Accelerating the Clean, Sustainable, Renewable, and Just Energy Transition mandates. Here, member states recognized Climate Change is a threat for the region and confirmed the urgency to increase the regional ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.[[4]](#footnote-4)**/ In particular, hemispheric leaders mandated that multilateral development banks and key regional financial entities consider “identifying, developing and advancing specific and distinct efforts to improve the mobilization of climate financing”**.[[5]](#footnote-5)/

Further, the 2022 OAS General Assembly resolution “Advancing Hemispheric Initiatives on Integral Development: Promoting Resilience” [AG/RES. 2988 (LII-O/22)],under the strategic line “Strengthening the implementation of sustainable development goals in accordance with the Inter-American program for sustainable development (PIDS) 2016-2021,” establishes the following mandate: “19. To instruct SEDI, subject to available resources, to support the implementation of climate change mitigation and adaptation strategies in all states, particularly in developing countries and with consideration for the particular vulnerabilities of small island developing states, by enhancing opportunities for training to strengthen adaptation capacities and climate resilience across the Hemisphere, through cooperation among member states and the Joint Summit Working Group institutions” and, “**To instruct SEDI to support the convening of fora, subject to available resources, for dialogue with multilateral development banks and other key regional financing entities, including the World Bank, the Inter-American Development Bank, the Caribbean Development Bank, the Development Bank of Latin America, and the Central Bank for Economic Integration, on efforts to improve the mobilization of climate financing to increase the implementation of all forms of renewable energy and reduce climate vulnerability in countries of the Americas.**”

The OAS Charter mandates CIDI to promote cooperation among OAS member states to achieve integral development and, in particular, to help eliminate extreme poverty. The Charter also directs CIDI to “promote, coordinate and assign responsibility for the execution of development programs and projects to the subsidiary bodies and relevant organizations, on the basis of the priorities identified by the member states, in areas such as economic and social development, including trade, tourism, integration and the environment.”

The Inter-American Program for Sustainable Development (PIDS) entrusts the General Secretariat of the OAS, through SEDI, to collaborate with sustainable development authorities of the members states and coordinate with other entities and international organizations. The PIDS establishes strategic actions to ensure that the work of the General Secretariat on sustainable development is aligned with the implementation of the 2030 Agenda on Sustainable Development and the Paris Agreement on Climate Change and that its objectives and results are guided by the SDGs approved by member states and contribute to their attainment.

The work of the General Secretariat should contribute directly to supporting member states in their efforts to reducing impact and strength t adaption to Climate Change.

1. **Structure of the meeting**

For the purposes of the meeting, various speakers have been invited to explore Climate Finance Architecture and identify specific barriers and opportunities for improving the effectiveness of climate finance mechanisms in the Americas. Member states will have an opportunity to take part in an interactive dialogue guided by the Chair of CIDI.

After the question-and-answer session with the guest speakers, the Chair will invite delegations to share best practices, needs, potential challenges and opportunities, and/or specific demands for hemispheric cooperation in this area.

Invited Panelists:

* Paola Ridolfi, Manager, Global Environment Facility
* Saliha Dobardzic, Team Leader, Programming and Innovation, Adaptation Fund
* Cayetano Casado Gomez, Regional Manager, Green Climate Fund
* Valerie Isaac, Environmental Sustainability Unit Coordinator, Caribbean Development Bank
* Martha del Castillo, Director, Biodiversity and Climate Technical Advice, CAF-Development Bank of Latin America

1. **Outcomes of the meeting**
2. Better understanding of the Climate Finance Architecture, and identification of specific barriers and opportunities for improving the effectiveness of climate finance mechanisms in the Americas
3. Share specific needs and challenges faced by member states to access the climate fund available today
4. Received and share amongst member states information on best practices to improve decision-making and streamline process to access Climate Funds
5. Distribute key takeaways to support the formulation of the agenda for the Fourth Inter-American Meeting of Ministers and High-Level Authorities on Sustainable Development.
6. Inputs from member states regarding climate financing and private sector engagement needs.
7. Key takeaways to support the formulation of the agenda for the Fourth Inter-American Meeting of Ministers and High-Level Authorities on Sustainable Development.

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1. . [How much money is needed to fight climate change? | The Economist](https://www.economist.com/graphic-detail/2022/11/11/how-much-money-is-needed-to-fight-climate-change) [↑](#footnote-ref-1)
2. . OAS-DSD, based on collected information from based on the experiences of both development banks and some UN implementing agencies that receive and manage climate funds. [↑](#footnote-ref-2)
3. . [How to Scale Up Private Climate Finance in Emerging Economies (imf.org)](https://www.imf.org/en/Blogs/Articles/2022/10/07/how-to-scale-up-private-climate-finance-in-emerging-economies) [↑](#footnote-ref-3)
4. . Ninth Summit of the Americas. Our Sustainable Green Future and the Accelerating the Clean, Sustainable, Renewable, and Just Energy Transition. June 9, 2022, Los Angeles, United States. [↑](#footnote-ref-4)
5. . Ninth Summit of the Americas. Accelerating the Clean, Sustainable, Renewable, and Just Energy Transition. June 9, 2022, Los Angeles, United States. [↑](#footnote-ref-5)