

# Increasing Developing Countries' Access to Climate Finance

## Global Green Growth Institute

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There is a growing realization that climate change is an inevitable, urgent challenge that is affecting the economic and social development of all countries. This awareness has encouraged an increasing number of developing and emerging countries to show strong commitments in the transition to sustainable economies. One of the key elements that helps developing nations move toward a sustainable, low-carbon future is finance.

In principle, sufficient financial resources from the public and private sectors are available to support developing nations. The mobilization of the capital is not an issue. The challenge we are faced with is that the existing capital is not making its way into innovation, green investments, technology and poorer countries. This is where organizations such as the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the Global Green Growth Institute (GGGI), the Korea International Cooperation Agency (KOICA), the Green Technology Center Korea (GTCK) and the Ministry of Strategy and Finance, Republic of Korea, could play a critical role. These organiza-

tions could help speed up the flow of finance for developing countries by (1) developing robust projects that are investment-ready, (2) improving their capacity to formulate strong, bankable project proposals, (3) making developing nations more aware of the technologies available and (4) enhancing the global understanding of key political leaders on climate finance.

Developed countries need to begin showing commitment to the support of developing and emerging countries through public finance. However, there are limitations to addressing climate change issues through public finance alone. Thus, the role of the private sector is important. Greater emphasis needs to be placed on using public finance institutions to leverage private capital and building policy incentives for directing private finance for developing countries.

The existing finance mechanism does not fully satisfy the needs of developing nations. International financial institutions need to make unified efforts to create an investment-conducive environment for poorer countries, develop capacity build-

ing and knowledge sharing programs, establish development and education strategies and provide incentive-based governance mechanisms to attract investors.

Also, increasing political commitment to environmental issues is also of great importance. A lack of political interest is leading to budgetary and institutional limitations in the context of climate change. Climate change issues are generally not seen as key to developing countries' ambitions around economic growth and poverty eradication. The contribution that green growth could make to strengthening economic growth and poverty eradication is not at the core of the high-level political debate in many countries. It is critical for governments to realize that a transition to a new pathway is becoming financially viable and that there is a need to provide frameworks for green growth that can lower policy uncertainties. Key political players need to understand that additional and incremental expenditures for green growth are investments that generate new values, technologies and markets and that green growth policies and low-carbon development can be designed in such a way that can simultaneously address multifaceted development needs.

At present, the technology is not making its way

into the market to effectively assist the developing countries. This is partly because the cost is too high, the risks are too great and the markets are too small. These are a set of challenges faced by investors. In addition to this, another obstacle is that developing countries don't have an adequate understanding of the technologies that are available and how, those technologies could be applied to their countries. There is a lack of linkage between technology transfer and finance. Thus, it is important to create a regulatory environment for technology.

Ultimately, it is critical to write bankable project proposals that translate environmental propositions into a common language for investors and take those proposals to the financial institutions that will finance project implementation. A number of international organizations and agencies, including the Global Green Growth Institute, are focusing on assisting countries to develop projects that are investment-ready. The issues of importance include formulating proposals in such a way that is appealing to investors from a risk and reward perspective, creating a policy-friendly environment in a country that is conducive to green growth investments and providing enhanced and more incentive-based governance for private investment.



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