Barriers to RBCF and possible ways to overcome them


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Barriers to results-based funding; the usual suspects...

**BARRIERS/CHALLENGES:**

- Baselines and additionality
- MRV
- Access to up-front financing
- Reliability of payments
- Limited institutional capacity
- Limited experience within Govt. to Govt. climate finance

**SOLUTION/RESPONSE:**

- Matters of mechanism design
- Matters of appropriateness of RBF
- Matters of funder coordination
- Matter of gaining and sharing experiences
The “myopia” and “safeguarding” barriers

“MYOPIA” BARRIER:

> **Bottom-up perspective:**
  - RBF transfers risk to the recipient and potentially cuts short climate financing
  - Typical perception as seen from an individual recipient in isolation
  - Typical perception with Budget-Based Financing as the assumed alternative

> **Top-down perspective:**
  - RBF is one way of allocating the funding available for climate financing; typically in combination with other instruments
  - Automatically channels more funding to actions that deliver desired results
  - RBCF payments are likely to attract additional funding and increase total climate financing

“SAFEGUARD” BARRIER:

- Autonomy, but...
- More challenging to keep control of cross-cutting issues
> Consider **RBF as one of the tools in a financing package** with certain attractive attributes under certain preconditions
  - The GCF: Has access to a wide toolbox suited to apply RBCF as one instrument in combination with others

> Consider **RBF as an allocation mechanism**, not only as a transfer of risk
  - Avoid “myopia”
  - Ensuring equitable distribution through design

> **Dare to try, be pragmatic and gain experience** through increased use
  - E.g. in the energy sector, where RBF is suited for both distributed and centralized models (private sector is used to working results-based)
  - *Value-based* and *auction-based* approaches (as opposed to cost-based approaches) are typically easily replicable
  - *Rights-based* approaches can scale quickly

> **ITMO/SDM** potentially serves as the missing direct link between the development and climate agendas
  - Addressing the “safeguard” barrier?

> **Conditional NDC targets**: Reduction targets conditional on climate financing should match well with RBCF
Contact

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