

## **Comment on Theme 2, outside of the EU – What role for TA ?**

The Annex to the Consultation Paper is quite thin on TA policy (p. 26 and 27). JASPERS, JESSICA, ELENA and FEMIP are mentioned, while the motivation and goals behind the decisions to create these TA formats are not stated. The Consultation Paper indicates only that TA is effective for the EIB to broaden and deepen its project pipelines, while there are surely elaborate TA criteria in use.

Albeit not in the Consultation Paper, the EIB “Climate Strategy in External Mandate Countries” describes an investment push and an investment pull as drivers for future climate action. Indeed, two important concepts to understand each national climate action context. On the following page, the “competitive position” of the EIB is identified as a constraint. Donor harmonization and coordination are also prominent in the Consultation Paper. Push, pull, harmonization and competitive position are important concepts but need to be completed with “donor competition” and especially “ownership”, to further comprehend the “arena” of climate action in each country. Ownership is the key criterion to define an investment push, shaping tradeoffs and impacts rather than the push’s financial volume, as well as the key criterion to understand an investment pull, how embedded the pull is in a national strategy.

My core suggestion is to develop Theme 2, what role for TA, by distinguishing TA that builds NAMA and NAPA ownership. Nowhere in the Consultation Paper, demand factors for TA are mentioned. On page 27, the EIB’s access to TA is identified as a limitation. Probably this limitation needs to be completed with the limit of offering TA capacity but getting insufficient willingness to receive, digest and apply it from borrowers.

Articulating TA policy for ownership could furthermore be crucial because the EIB is at an “ownership disadvantage” compared to bilateral donors such as GIZ with close and old relations to national institutions (borrowers). Bilateral donors’ close and old relations are perhaps quite often only initially advantageous to start projects and then become barriers for effective implementation. Donors supporting NAMAs and NAPAs with the relational (or partnership) skills to strengthen national ownership of NAMA and NAPA components will succeed in climate finance innovation (applies to EIB as much as to GIZ)<sup>1</sup>.

In addition, explicitly addressing ownership seems critical to prevent potential “fallacy of composition” between EIB’s operational needs (project cycle and value added assessment) and EIB’s policy ambitions.

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<sup>1</sup> Pickering et al. 2015, “Acting on Climate Finance Pledges: Inter-Agency Dynamics and Relationships with Aid in Contributor States”, *World Development*, 68: 149-162. Irrespective of climate policy differences between donor countries, similar trends in financing channels and modalities are visible in all fast-start finance.



Furthermore, ownership is always more imperative for adaptation than for mitigation. The likely reason why the first inroads to adaptation projects are with the Caribbean Development Bank and in Seychelles, is that these adaptation improvements are less affected by regulatory and political barriers. These adaptation improvements implied less changes in the risk exposure of socioeconomic groups and thereby lower levels of ownership to be feasible. The ability to build ownership is the main determinant of EIB's expansion in adaptation action.

Last but not least of the reasons for differentiating ownership, the Consultation Paper stresses the importance of the EIB's value added scoring tool in decision-making. This tool can create additional ownership problems because the Pillar 3 with the EIB's Technical and Financial Contribution carries a high weighing compared to other indicators. Favouring projects where the EIB's contribution makes a large difference could lead to portfolios with lower ownership qualities.

This list of reasons for ownership as TA policy is long, comprehending the "arena", anticipating limits, an ownership disadvantage, fallacy of composition and expanding adaptation projects.

Differentiating TA formats and the demands from borrowers could be useful to articulate TA policy for the EIB, support the coordination between donors and allow to distinguish and classify NAMA and NAPA support projects.

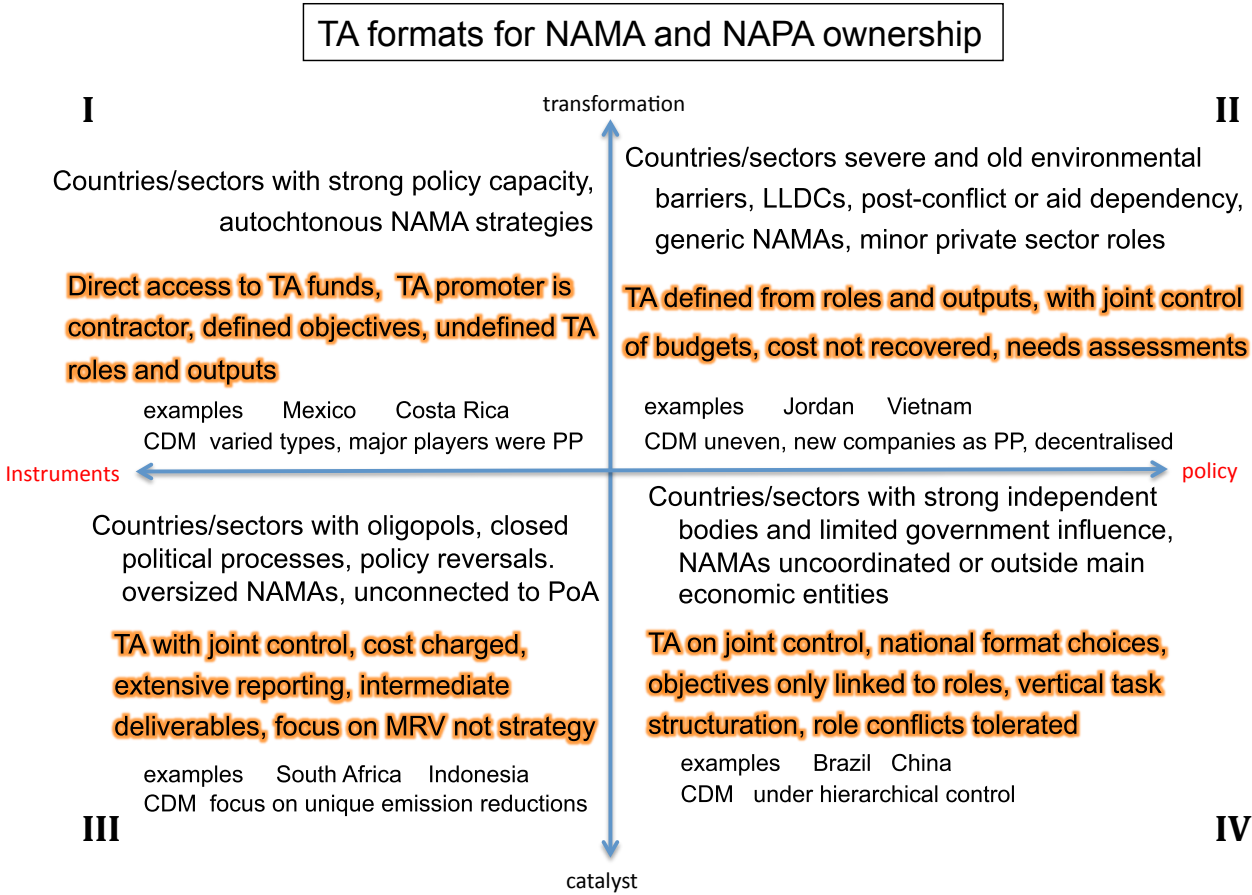
I suggest a 2-by-2 qualitative differentiation that reflects the EIB and the borrower's respective views. While the two parties might often have different reasons for preferring a TA format, they can agree to a TA format as necessary for ownership. For example, EIB's preference of a TA format might contain more judgement on national policy while the borrower's judgement contains views on the economic imperatives of a sector, still they can agree on what is required to ascertain ownership.

This differentiation is derived from comparisons and trends among the NAMAs proposed so far as well as the prominence of CDM in each country. The vertical axis reflects the character NAMAs' transformation goal, from explicit direct transformation of a sector (upper end) to more qualitative catalyst impact (lower end) where transformational success consists of overcoming resistance of important players in a country/sector. The horizontal axis distinguishes NAMAs that introduce new tools (left end) from NAMAs that pursue new policy (right axis). Each quadrant involves TA format choices that render TA for NAMAs and the NAMAs effective. These four NAMA



groups have also been detected in a research project for the German BMU “BeyondCDM. Transitioning to Future Climate Policy Instruments”<sup>2</sup>.

These four TA formats are also a more substantial and alternative synthesis of the EIB’s TA Operations Evaluation 2003-2013 results, whose suggested lessons (operational results R6 to R12) are not entirely realistic given TA supply, national TA contexts and TA legacies. The field of climate change has sufficient commonalities because of risks, ethics, companies and technologies so that all countries can be subsumed into 4 groups, respectively with TA format criteria.



Among various policy elements, national energy policy traditions and climate policy differences are the main reasons for these four groups. Energy policy deals with energy as a commodity (I), as a social need (II), a strategic resource (III), or as an ecological resource (IV). Climate policy either addresses pricing tools (I), starts from network and regional criteria (II), focuses mitigation cost (III), or managerial control of commons (IV). Countries that have followed climate policy as control of commons (IV), especially

<sup>2</sup> Not published. FKZ UM 12 41-158. Ian Thynne’s work on institutionalization, and Clapp and Dauvergne’s Path to a Green World are also congruent.



China and Brazil, will continue, as do those that established climate policy of the other three types. It is straightforward that national energy and climate policy differences reappear among the many NAMA approaches proposed. So this 2-by-2 differentiation of TA formats for ownership is an obvious outcome of the national policy traditions and does not result from some organisational or institutional property of utilities or other agencies (although this can be revealed with sufficient research into EIB's TA practice).

NAMA and NAPA contents (instruments and policy), transformational influence and TA format are certainly closely related and they are to a degree assembled in this 2-by-2 differentiation. This typology is empirically correct, however, to what extent this typology allows EIB and borrowers to agree on the preferable TA format, is the crucial question. Presenting this typology to EIB's borrowers and agreeing on the suitability of a format between EIB and borrower can augment ownership because of the empirical quality and, independently, because the judgement in TA format elements suitability of the policy habits. This latter judgement of course needs refinement and further detail.

With this first suggestion for a borrower oriented TA formats menu it is nonetheless possible to decide whether this is a promising direction for operational TA policy needs. There is an ambient pessimism within EIB and TA is seen as too difficult to negotiate actively with borrowers. As if one is automatically caught up in contradictions notably between ownership and content imperatives. As the EIB's TA Operations Evaluation 2003-2013 rightly concludes, there is much "ad-hoc nature" in TA operations, and the EIB's management response (p.X) qualifies this as "inevitable". A borrower oriented TA formats menu should allow to reduce ad-hoc decisions because borrowers' preferences are a choice among 4 TA formats. Declaring these TA formats upfront as a matter of policy can be an essential prerequisite.

## References

- Andrews M, Pritchett L and Woolcock M, 2012, *Escaping Capability Traps through Problem-Driven Iterative Adaptation*, Harvard Kennedy School, Faculty Research Paper.
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- Mosse D, 2014, *Knowledge as Relational: Reflections on Knowledge in International Development*, Forum for Development Studies, 41/3: 513-523.

