

# Performance-Based Finance

*Potential for application in the Caribbean region*

**UNFCCC RCC St. George's**

St. George's, Grenada



# What is Performance-based finance?

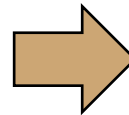
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- Performance-based finance
- Results-based finance
- Payments for performance
- Results-based approaches
- Results-based funding



Source: <http://talkincloud.com/office-365-vs-third-party-hosted-exchange-whats-the-difference>

- Results-based aid
- Results-based finance

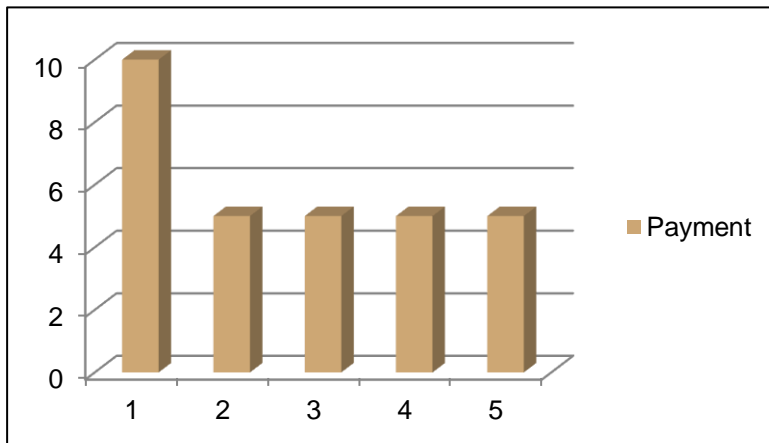


- Results-based budgeting
- Performance-based contracts
- Performance-based incentives

# Results-based approaches

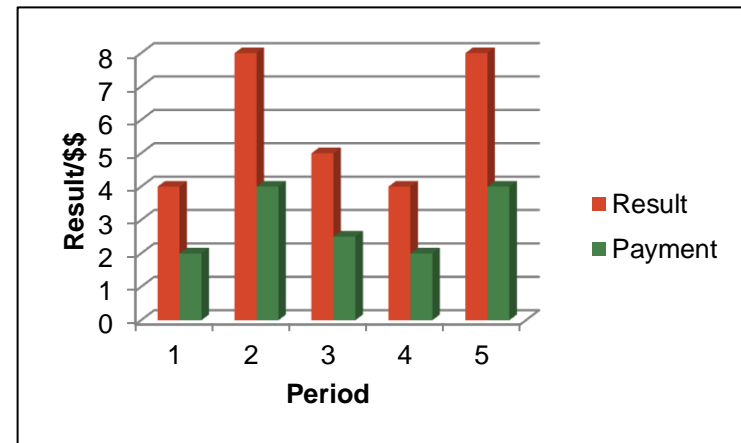
## Traditional finance:

total amount and payment schedule agreed from the start.



## RBF:

total amount and schedule dependent on results achieved.



# Different approaches for RBF

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- 100% on results achieved
- Front-loaded
- Accelerated payment
- Additional incentives



<http://www.govopps.co.uk/paying-for-public-service-ethos-and-public-value-the-future-of-payment-by-results/>

**The Clean Development Mechanism is a system for monitoring, reporting, and verification of mitigation results.**

**UN carbon credits (CERs) are a tool for pay-for-performance (RBF) approaches.**

# Opportunities for RBF in the Caribbean

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## Sectors

- Solid waste
- Waste water
- Energy efficiency
- Renewable energy
- Others

## • Aggregation !

- a) Reduces transaction costs and time
- b) Uses standard specifications and contracts
- c) Large number of projects required

## Programme of Activities

- Standardized
- Lower costs
- MRV included!

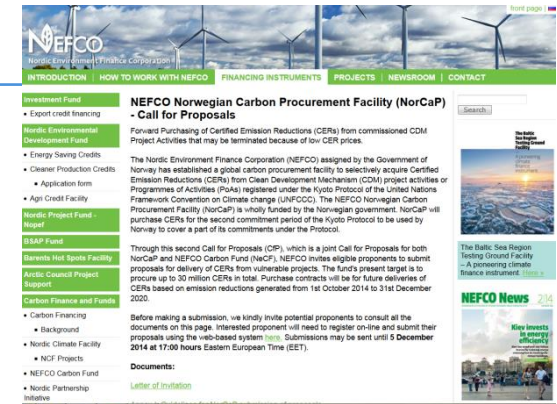


# Opportunities for RBF in the Caribbean

- NEFCO Norwegian Carbon Procurement Facility (NorCap)

- Registered CDM projects facing risk of discontinuation due to low CER prices.
- All CDM project types, except hydro and wind projects in countries other than Least Developed Countries.
- Other exceptions: industrial and coal based energy production without carbon capture or storage.

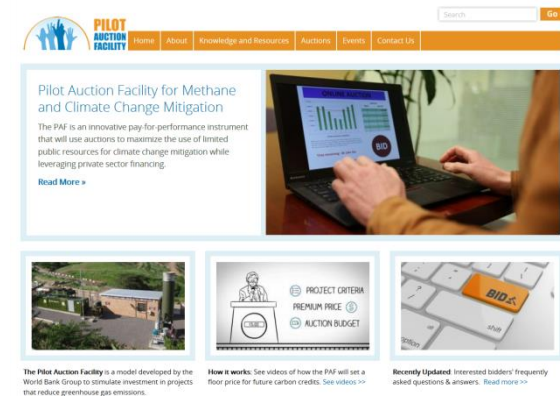
**Second call for proposals closed  
December 2014. Expect a new one.**



# Opportunities for RBF in the Caribbean

- World Bank's Pilot Auction Facility
  - Methane emissions at landfill, animal waste, and wastewater sites.
  - Guaranteed minimum price with option to sell at higher price (put option).
  - Potential to expand to other types of projects afterwards.

**First call expected in first half of 2015**



# Results-based approaches are increasing

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- Multilateral development banks and bilateral financial institutions are starting to work with RBF.
- The focus is on making the finance effective, not just available.
- Green Climate Fund analyzing RBF as part of their strategy.
- Look to local and regional banks who can get guarantees from IDB or WB to support small scale projects that are aggregated.

**Enhance chances of obtaining funds by promoting the use of results-based approaches.**





Thank you!

