Report on Regional Dialogue on Climate Finance and Partnership Development

Project Information

Project Title: Strengthening Capacities and Enhancing Climate Data and Services in Bhutan to Scale Up Climate Financing from Multiple Sources

Funding Source: Green Climate Fund (GCF) Readiness and Preparatory Support Programme

Implementing Agency: Department of Macro-fiscal and Development Finance, Ministry of Finance (National Designated Authority)

Activity: Regional Dialogue on Climate Finance and Partnership Development

Dates: 10–19 November 2024

1. Background

The Green Climate Fund (GCF) Readiness Project, *"Strengthening Capacities and Enhancing Climate Data and Services in Bhutan to Scale Up Climate Financing from Multiple Sources,"* seeks to strengthen institutional capacities for climate finance mobilization, coordination, programming, and monitoring in Bhutan. A key component of the project focuses on enhancing the capacity of the National Designated Authority (NDA) and relevant stakeholders to engage effectively with climate finance providers and access diverse sources of climate finance.

As part of these efforts, a regional dialogue and stakeholder engagement mission was undertaken from 10–19 November 2024. The dialogue provided a platform to engage with international climate finance institutions, development partners, technical agencies, philanthropic organizations, and private sector investors to explore emerging climate finance opportunities, strengthen partnerships, and gain insights into innovative financing mechanisms.

The activity contributed directly to strengthening the institutional capacity of the NDA by improving understanding of the global climate finance landscape and enhancing engagement with organizations that support climate-resilient and low-carbon development initiatives.

2. Objectives of the Training

The regional dialogue was undertaken to achieve the following objectives:

1. Strengthen the capacity of the NDA and relevant stakeholders to engage with international climate finance institutions and partners;
2. Enhance understanding of climate finance mechanisms, funding modalities, and emerging financing opportunities;
3. Explore innovative financing instruments and approaches for mobilizing climate finance from multiple sources;
4. Establish and strengthen partnerships with development partners, technical agencies, philanthropic organizations, and private investors;
5. Identify opportunities to support the development of Bhutan's climate finance pipeline; and
6. Gather knowledge and lessons to inform future climate finance programming and resource mobilization efforts.

3. Participation and Engagements

The dialogue involved meetings and discussions with representatives from climate finance institutions, development agencies, international organizations, philanthropic foundations, technical partners, and private investors.

Key engagements included discussions with:

- Green Climate Fund (GCF)
- Global Environment Facility (GEF)
- International Renewable Energy Agency (IRENA)
- United Nations Environment Programme Finance Initiative (UNEP FI)
- United Nations Industrial Development Organization (UNIDO)
- IKEA Foundation
- Catalytic Fund
- Nordic Development Fund
- GLP Capital Partners
- Bhutan Trust Fund for Environmental Conservation
- WWF Bhutan
- Other climate finance and sustainability-focused stakeholders

The engagements focused on understanding available financing mechanisms, technical assistance opportunities, emerging investment trends, and potential areas for future collaboration.

4. Key Discussions and Knowledge Gained

4.1 Climate Finance Landscape and Funding Opportunities

Discussions with representatives from climate finance institutions provided valuable insights into the evolving climate finance landscape, funding priorities, and investment requirements.

Participants gained a deeper understanding of:

- Current climate finance trends and priorities;
- Opportunities for accessing international climate finance;
- Emerging approaches to blended finance and private sector participation;
- Project preparation requirements for climate finance investments; and
- Strategies for developing investment-ready climate projects.

The discussions highlighted the increasing importance of scalable, transformational, and financially sustainable climate investments in attracting support from international financing institutions.

4.2 Engagement with Climate Funds

Meetings with representatives of major climate finance institutions strengthened understanding of funding processes and programming opportunities.

Discussions with GCF representatives provided insights into financing modalities, project structuring requirements, and opportunities for leveraging climate finance through public and private sector partnerships.

Engagements with GEF representatives provided information on future programming cycles and highlighted opportunities for integrating climate priorities into future project proposals and national programming processes.

These discussions enhanced the NDA's understanding of international climate finance architecture and strengthened institutional readiness for future resource mobilization efforts.

4.3 Innovative Financing Mechanisms

A significant area of learning focused on innovative financing approaches that could complement traditional grant-based funding.

Discussions with technical agencies and development partners introduced concepts such as:

- Blended finance;
- Energy transition financing;
- Carbon market mechanisms;
- Sustainability-linked investments;
- Private sector co-financing arrangements; and
- Climate-related investment platforms.

Particularly informative were discussions on the Energy Transition Accelerator Financing (ETAF) platform, which provided practical insights into financing mechanisms supporting renewable energy investments and energy transition initiatives.

These engagements broadened participants' understanding of financing options available for climate-related investments and highlighted opportunities to diversify Bhutan's climate finance portfolio.

4.4 Private Sector Engagement and Investment Readiness

Meetings with private investors and philanthropic organizations provided valuable perspectives on investor expectations and requirements for financing climate-related projects.

Participants gained a better understanding of:

- Characteristics of bankable climate projects;
- Risk-sharing and investment structures;
- Private sector financing requirements;
- Opportunities for blended finance; and
- Potential pathways for mobilizing non-traditional sources of climate finance.

These discussions reinforced the importance of strengthening project preparation and investment planning capacities to attract climate finance from a broader range of sources.

4.5 Technical Assistance and Partnership Opportunities

Engagements with international organizations and technical agencies highlighted opportunities for technical assistance, knowledge sharing, and institutional capacity development.

Discussions with organizations such as UNEP FI and UNIDO provided insights into technical support available for climate finance readiness, sustainable development planning, renewable energy deployment, and low-carbon development initiatives.

The dialogue strengthened relationships with institutions that could support Bhutan in future climate finance programming and project preparation efforts.

5. Key Outcomes

The regional dialogue achieved several important outcomes that contribute to the objectives of the GCF Readiness Project.

Outcome 1: Enhanced NDA Capacity

The activity strengthened the capacity of the NDA to:

- Understand international climate finance mechanisms and funding modalities;
- Engage effectively with climate finance institutions and development partners;
- Identify emerging climate finance opportunities;
- Assess innovative financing approaches; and
- Support strategic climate finance planning and coordination.

Outcome 2: Expanded Climate Finance Knowledge

Participants gained practical knowledge on:

- Climate finance architecture;
- Climate investment requirements;
- Innovative financing instruments;
- Blended finance approaches;
- Renewable energy financing mechanisms; and
- Climate project preparation requirements.

Outcome 3: Strengthened Strategic Partnerships

The dialogue facilitated the establishment and strengthening of relationships with a broad network of climate finance stakeholders, including:

- International climate funds;
- Development partners;
- Technical agencies;
- Philanthropic organizations;
- Private investors; and
- Sustainability-focused institutions.

These partnerships provide a foundation for future collaboration, knowledge exchange, and resource mobilization.

Outcome 4: Improved Understanding of Climate Finance Mobilization

The activity enhanced participants' understanding of how climate finance can be mobilized from multiple sources, including:

- Multilateral climate funds;
- Bilateral development partners;
- Philanthropic organizations;
- Development finance institutions; and
- Private sector investors.

This knowledge supports Bhutan's efforts to diversify its climate finance portfolio and strengthen long-term financing strategies.

6. Contribution to GCF Readiness Objectives

The activity directly contributed to the objectives of the GCF Readiness Project and aligns with GCF Readiness Outcome 1: Strengthened Capacity of the National Designated Authority.

Specifically, the activity contributed to:

- Strengthening NDA Institutional Capacity
- The dialogue enhanced the NDA's ability to understand and navigate the climate finance landscape, engage with financing institutions, and support strategic climate finance planning.
- Improving Climate Finance Coordination
- Knowledge gained through stakeholder engagements will support more effective coordination between government agencies, development partners, and financing institutions.
- Supporting Climate Finance Programming
- Insights gained from the dialogue will inform future climate finance programming, project preparation, and pipeline development efforts.
- Expanding Access to Climate Finance
- The activity strengthened Bhutan's understanding of opportunities to access climate finance from multiple sources and improved awareness of financing instruments available to support national climate priorities.

7. Lessons Learned

Several key lessons emerged from the dialogue:

- Climate finance is increasingly moving toward investment-oriented and scalable interventions.
- Strong project preparation and investment readiness are critical for accessing larger volumes of climate finance.
- Diversification of climate finance sources is essential to meet growing climate investment needs.
- Partnerships with technical agencies and private sector actors can significantly enhance financing opportunities.
- Innovative financing mechanisms offer important opportunities to complement traditional grant financing.

8. Way Forward

Building on the outcomes of the dialogue, the following actions are proposed:

1. Continue engagement with climate finance institutions and strategic partners identified during the dialogue.
2. Explore opportunities to integrate innovative financing mechanisms into future climate finance initiatives.
3. Strengthen project preparation and pipeline development efforts based on lessons learned.
4. Disseminate knowledge gained from the dialogue among relevant national stakeholders.
5. Identify opportunities for technical assistance and capacity-building partnerships.
6. Incorporate lessons learned into future GCF, GEF, and other climate finance proposals.

9. Conclusion

The regional dialogue provided a valuable opportunity to strengthen the capacity of the National Designated Authority and relevant stakeholders to engage with the international climate finance community. Through interactions with climate finance institutions, development partners, technical agencies, philanthropic organizations, and private investors, participants gained important knowledge on financing mechanisms, partnership opportunities, and emerging trends in climate finance.

The activity contributed directly to the objectives of the GCF Readiness Project by enhancing institutional capacity, strengthening strategic partnerships, and improving understanding of how climate finance can be mobilized from multiple sources. The knowledge and networks developed through the dialogue will support Bhutan's efforts to strengthen climate finance programming, develop a robust pipeline of climate investments, and advance national climate and development priorities.