

# Realising Development Effectiveness: Making the Most of Climate Change Finance



## The Bangkok Call for Action<sup>1</sup> 28 October 2010

### Preamble

- Climate change is intrinsically linked to development. It is an exceptional global challenge as well as an opportunity for improved international collaboration. To respond to the challenge we will need to mobilize all our knowledge and experience in the provision of external financing for development.
- Countries are currently developing their national responses to climate change and are concerned about the quantity of finance that they will have available to them, as well as the quality of that finance – the conditions under which it will be provided.
- The Paris Declaration targets and indicators for the management of development assistance provide benchmarks for the quality of external sources of public finance provided for climate change.
- Innovations in the governance of climate change funding modalities, such as with the Adaptation Fund, should also be learned from and used to inform the management of development assistance.
- Assessments of the quality of public finance for climate change should look at all sources – including domestic and international – and should be country-led.
- Analysis and evidence generated at the country level should be used to inform a transparent debate on the quality of climate financing, alongside its quantity. This debate should be interdisciplinary bringing together climate specialists with managers of externally provided public finance.
- The debate on the quality of climate change finance should be initiated across countries at regional, sub regional and national levels and promote south-south dialogue to feed into international policy process and decision making.

<sup>1</sup> The recommendations contained within the *Bangkok Call for Action* were developed at the Asia-Pacific Climate Change Finance and Aid Effectiveness dialogue held on 19–20 October 2010 in Bangkok. The dialogue was facilitated by the Capacity Development for Development Effectiveness (CDDE) Facility and brought together over 75 participants representing the seven governments of Bangladesh, Cambodia, Lao PDR, Nepal, Indonesia, Philippines and Viet Nam, as well as the Pacific Islands Forum Secretariat, eight development partners and international agencies (ADB, AUSAID, JICA, OECD, SIDA, UNDP, UNEP, World Bank) and representatives from parliaments and civil society.

- The Bangkok Call for Action is articulated in four sets of recommendations:
  - (i) For **countries** (including executive government, legislative bodies and citizens) that are recipients of external sources of public finance for climate change
  - (ii) For **governments** that receive external sources of public finance for climate change
  - (iii) For **international funders working at the country level**
  - (iv) For **international funders working globally**.

## Countries should...

- Countries should broaden and deepen the political leadership of the climate change agenda. Political leadership and ownership of the climate change agenda by national stakeholders will be the foundation of an effective climate change response.
- Countries should establish clear national priorities for climate change to guide policy, planning and budgeting.
- The emphasis should be on mainstreaming the results and financial resources required of a climate change response within national plans, budgets and sector/subnational processes. Countries should integrate external public financing into national budgets where appropriate.
- In developing the response to climate change and managing climate finance, attention should be given to harmonizing agency functions, laws, policies and regulations.
- Countries need to identify and allocate all available sources of finance for climate including private finance.
- Evidence and data for monitoring the implementation and financing for the climate change response should be strengthened and made publically available. Existing databases for monitoring development processes, domestic budgets and development assistance can all provide mechanisms for tracking the climate change response both in relation to results and resources.

## Governments should...

- Governments should strengthen their capacities for a whole-of-government response to climate change. A coordinated response with clear roles and responsibilities for different agencies and a common approach to external financing should be operationalized.
- Wherever possible, existing institutional arrangements and policy frameworks for managing international cooperation, including development assistance, should be built upon.
- Where appropriate, governments should strengthen their capacities to access external climate finance.

- Governments need to improve overall coordination of the climate change response in country – including climate finance – by clarifying roles and responsibilities, in particular harmonizing agencies at central level and ensuring effective communication, coordination and appropriate financial transfers of climate finance to sectors and sub national levels.
- Governments will need to strengthen their policy, planning and financial management to include policy frameworks and clearly articulated national priorities for the climate change response.
- Financing frameworks will need to be established to include external and domestic sources of public finance as well as resources from the private sector. Where appropriate, external sources should be integrated into national budgets and public financial management systems used to track expenditures.
- Alongside managing publicly provided funds, governments will need to establish an enabling environment for private sector investment to support climate resilient low-carbon growth and the transition to a green economy.

## International funders working at the country level should...

- International funders should ensure that the climate programmes they support and finance are based on demand articulated through country-led needs assessment and planning processes and are not supply driven vis-à-vis the types of funding that are available.
- In supporting country-led programming, international funders should consider where existing development programmes should incorporate climate change concerns and where new programming is required.
- Wherever possible, international funders should ensure that the public sources of external finance that they provide are aligned and make use of national systems for:
  - Planning, and monitoring and evaluation processes
  - Public financial management, procurement and audit.
- Where capacity constraints hinder the use of country systems, support should be provided to strengthening them and plans articulated for alignment with and progressive use of these systems.
- Good practice in the management of development assistance can and should apply to the management of climate change finance – for example through the implementation of programme-based approaches.
- Learning from the management of development assistance, international funders will need to work together to strengthen their coordination, as well as supporting government-led efforts at coordination.

## International funders working globally should...

- Increase the volume of funding, especially for adaptation.
- Agree with governments what new money is, based on common definitions and establish clear baselines and tracking systems for moving forward on all publicly provided climate change finance.
- Improve predictability of climate finance by moving from pledges to funding, ensuring timely disbursement and providing information on commitments that fit with countries' budgeting cycles so that it can be included on the government's budget.
- Wherever possible delegate decision-making and management of climate change financing to the country level, depending on national circumstances.
- Work together with the private sector to ensure that public and private sector funding is coherent in its support for the climate change response. In particular, public and private sectors will need to work together to establish policies, incentives and capacities for climate resilient low-carbon growth and the transition to a green economy as well as innovative mechanisms for blending public and private resources.
- Simplify the diversity of external funding sources, to reduce transaction costs.
- Facilitate easier and direct access to external finance by stakeholders in recipient countries.
- International funders should work with partner countries within the framework of the UNFCCC to clarify guidance on how to measure, report and verify climate finance and supported programmes in order to facilitate transparent and effective climate action.



Facilitated by the Capacity Development for Development Effectiveness Facility

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