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Applied Knowledge

Realising Development Effectiveness

Making the Most of Climate Change Finance in Asia and the Pacific

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Acronyms

AAA	Accra Agenda for Action
WB	World Bank
USD	United States Dollars
US	United States
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
UNCCD	United Nations Convention to Combat Desertification
UNCBD	United Nations Convention on Biological Diversity
UN	United Nations
UK	United Kingdom
SPA	Strategic Priority on Adaptation
SEDP	Socio-Economic Development Plan
SEDP	Socio-Economic Development Plan
SD&CC	Sustainable Development and Climate Planning
SCCF	Special Climate Change Fund
REDD	Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
PEPFAR	President's Emergency Plan for AIDS Relief
PD	Paris Declaration
OECD	Organisation for Economic Co-operation and Development
ODA	Overseas Development Assistance
OCCA	Steering Committee for Climate Change Adaptation and Mitigation, Vietnam
NTP-RCC	National Target Programme for the Response to Climate Change
NTP	National Target Programme
NSAPR	National Strategy for Accelerated Poverty Reduction
NGO	Non-Governmental Organisation
NAPA	National Adaptation Programme of Action
NAMA	Nationally Appropriate Mitigation Actions
MRV	Measurable, Reportable and Verifiable
MPI	Ministry of Planning and Investment's
MONRE	Ministry of Natural Resources and the Environment,Vietnam
MoIT	Ministry of Infrastructure and Transport
MOF	Ministry of Finance
MoEF	Ministry of Environment and Forests, Bangladesh
MDG	Millennium Development Goals
MARD	Ministry of Agriculture and Rural Development, Viet Nam
LMDG	Like Minded Donor Group
LDCF	Least Developed Country Fund
IPCC	Inter-Govermental Panel on Climate Change
ICI	International Climate Initiative
HIV	Human Immunodeficiency Virus
GEF	Global Environmental Fund
GEEREF	Global Energy Efficiency and Renewable Energy Fund
GDP	Gross Domestic Product
GAVI	Global Alliance for Vaccines and Immunization
FSF	Fast Start Finance
FIP	Forest Investment Program
EU	European Union
ETF-IW	Environmental Transformation Fund - International Window
EFA-FTI	Education for All-Fast Track Initiative
DFID	Department For International Development, UK
DAC	Development Assistance Committee
CTF	Clean Technology Fund
COP	Conferences of the Parties

CDM	Clean Development Mechanism
CDDE	Capacity Development for Development Effectiveness
CCD	Climate Change Department, Cambodia
CCC	Climate Change Commission in Philippines
BNDES	Brazilian Development Bank
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
BAPPENAS	National Development Planning Agency in Indonesia
AusAID	Australian Agency for International Development
AIDS	Acquired Immuno-Deficiency Syndrome
AfDB	African Development Bank
ADB	Asian Development Bank

Executive summary

i. Climate change and development are inseparable. The Fourth Assessment Report of the Inter-Governmental Panel on Climate Change[1] identified that the emissions of greenhouse gases are having real impacts on our environment. The Earth is already locked into significant climate change that will impact on all communities and economies. Such impacts have the potential to roll back many of the gains in development made to date. Our challenge is clear; we need to reduce the emissions of greenhouse gases without harming development, and adapt to the impacts of global warming so that any potential damage is reduced.

ii. Using the experience of five countries in Asia (Bangladesh, Cambodia, Indonesia, the Philippines and Vietnam), this report considers whether funding for climate change is being managed in the most effective manner, based on the long history of lessons learnt from development assistance over the last 60 years.

iii. Much climate financing is in the form of global funds (also called 'vertical funds'). As the World Bank has noted 'global funds need to support country-led strategies and priorities' to be effective and sustainable. The report suggests that, although global agreements to fund climate change have emerged over the last 20 years, challenges remain to making this finance fully effective and sustainable. Indeed, funding channels for climate change are proliferating, there are increased signs of fragmentation, and evidence that administrative and institutional requirements burden recipient countries unnecessarily. Whilst it is recognised that providing external financing for any development activity is complicated, it appears that climate change financing is more complicated than most.

iv. In the diverse contexts of the 5 case study countries, some common themes emerge.

a. It is hard to quantify the external financing for climate change received. It is simply not adequately recorded.
b. All of the case study countries have climate change plans, in one form or another, albeit at different stages of progress.
c. However, in all cases there is a level of role confusion as to who in government oversees climate change funding.
d. Some of this confusion arises from the specific institutional requirements of the external funds, which may be out of step with the roles and responsibilities of institutions in recipient countries.
e. Accessing funding is often a challenge; there are diverse channels, with specific processes and procedures requiring specialist knowledge.
f. In some countries, were it not for the international focus on climate change and the demands of the international climate change architecture, it is unlikely that climate change would yet be part of the political discourse.
g. Much climate change financing is, in operation, supply driven. It is not yet truly needs based. As respondents in one of the case study countries noted "When donors state that their initiatives are aligned to [our] policy priorities, the reality is that often the actions are pre-set objectives for support, which are subsequently modified to make them seem to be aligned with government policy priorities."

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[1] IPCC. *Climate Change 2007: The Physical Science Basis* (eds Solomon, S. *et al.*) (Cambridge Univ. Press, Cambridge, UK, and New York, 2007), also here http://www.ipcc.ch/publications_and_data/ar4/wg2/en/contents.html

h. Systems are not yet in place to record climate change financing (following on from i. above). At the same time, there are no specific commitments from funders to use country system for climate change financing.
i. Whilst co-ordination mechanism exist that might enable funders to harmonise their assistance, co-ordination and information sharing mechanisms particular to climate change financing have yet to be fully formalized.
j. In none of the case study countries does it appear that representatives of *all* external funders of climate change assistance sit together to co-ordinate their funding.
k. In all the case study countries, results management and reporting systems are inadequate, either in terms of the specific requirements for UNFCCC funding or in the broader terms of the satisfying Paris Declaration commitments.
l. None of the countries had a dedicated forum for dialogue where funding partners, recipient government and other stakeholders such as civil society could meet around climate change assistance and financing.

v. Following on from these findings, the report makes some suggestions for action. It recommends that we apply what we know of how to manage external financing effectively more robustly to climate change funding. Among other things it recommends that we need;
   a. an open debate to ensure that funding is truly driven by the needs of recipients, not by the needs of the current funding mechanisms,
   b. to reduce fragmentation and manage the proliferation of climate change funds, globally and in recipient countries,
   c. to commit to delivering climate change financing according to agreed aid effectiveness principles,
   d. to delegate the management of funds to representatives in country,
   e. to ensure, where possible, funding is mainstreamed into development activities and budgets, using local systems and processes,
   f. to improve local co-ordination mechanisms, and
   g. to ensure the management of results is effective.

Introduction

> *"We have less than 10 years to halt the global rise in greenhouse gas emissions if we are to avoid catastrophic consequences for people and the planet. It is, simply, the greatest collective challenge we face as a human family,"*
>
> *Ban Ki-Moon, 2009*

> *"Poverty and climate change are the two great challenges of the 21st century. Our responses to them will define our generation, and because they are linked to each other, if we fail on one, we will fail on the other."*
>
> *Lord Nicholas Stern, 2010*

Climate Change and Development are inseparable

1. During the last decade, we have recognised the threat that global warming poses to development. The climate change that results from increased global temperatures will impact on the environment, communities and economies. The 2007 Stern Review suggested current patterns of climate change would reduce global GDP by between 5 and 20%[2] (figures Lord Stern now sees as conservative). Yet it is economic growth (the key goal of development according to many) that has brought with it increased emissions of the greenhouse gases which have caused global warming.

2. Through observing changes already taking place, we have become increasingly confident of what effects global warming is having. It is highly likely that we are already locked into a 2 degree centigrade rise in global temperatures by 2100. The 2007 Fourth Assessment Report of the Inter-Governmental Panel on Climate Change[3] notes this will result in a sea-level rise of between 69cm and 1m (depending on location across the world). The consensus of subsequent modelling is that the sea level rise will be higher[4]. Seasons are changing, glaciers are melting, snow-fed rivers see increased run-off, marine ecosystems are transforming, seas are becoming more acidic[5]. If we carry on emitting carbon dioxide and other greenhouse gases at current rates, global temperatures could eventually rise by over 5 degrees centigrade, to levels not seen on earth for more than 30 million years[6].

3. At the heart of global debates on climate change is the recognition that global warming is the result of emissions from countries already advanced in their development, and that the countries most vulnerable to its impacts are also the least developed. If developing countries are to respond to challenge, they will need assistance.

4. The international community has recognised the scale of the problem; we need to reduce the emissions of greenhouse gases without harming development, and adapt to the impacts

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2 See "The Stern Review: The Economics of Climate Change" Her Majesty's Treasury 2007, UK http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/stern_review_report.htm

3 IPCC. *Climate Change 2007: The Physical Science Basis* (eds Solomon, S. *et al.*) (Cambridge Univ. Press, Cambridge, UK, and New York, 2007), also here http://www.ipcc.ch/publications_and_data/ar4/wg2/en/contents.html,

4 *Stefan Rahmstorf "A New View on sea level Rise" Nature Reports Climate Change* Published online: 6 April 2010 | doi:10.1038/climate.2010.29

5 For further details and levels of certainty see the IPCC 4th Report

6 See Nicholas Stern, "Climate: What you need to know" June 24 2010, New York Review of Books,

of global warming so that the potential damage is reduced. And for the reasons set out above, action is needed urgently.

5. Debates (as seen at the COP15 meeting in Copenhagen in December 2009) continue around the level of funding required, measured in the hundreds of billions of dollars. Similarly, discussions continue about the form of the funding, and in particular how much the finance for climate change should be in addition to 'traditional' Overseas Development Assistance (ODA).

6. While making sure that there is enough funding will be key to implementing the global response, it is also essential that the funds provided are put to the best use possible, that they are fully *effective.*

7. We have 60 years' learning on what has and has not worked in the world of development co-operation ('traditional' ODA). As the scale of funding for climate change increases, we need to draw on this learning to ensure that the international and local mechanisms for climate change funding work to their full potential. There is much experience to be drawn upon; from partner countries, donors and other key stakeholders. We need to learn from past successes and mistakes. We need to ensure that we do not build into the new systems avoidable weaknesses.

The objective of this report

8. This report seeks to support discussions on current climate financing in Asia. It provides an overview of key issues, and includes a synthesis of findings from five Asian country studies; in Bangladesh, Cambodia, Indonesia, the Philippines and Vietnam. It provides reference material for the 19th-20th October 2010 Bangkok conference on Climate Change Finance and Aid Effectiveness.

9. The report was commissioned by the Capacity Development for Development Effectiveness (CDDE) Facility[7] supported by the Asian Development Bank, Government of Korea, Government of Japan, and UNDP. It is part of a regional dialogue process, also being supported by the Swedish International Development Cooperation Agency (SIDA) and the OECD DAC.

10.It is expected this initiative will lead to a set of recommendations around the programming of climate change finance at the national and international level. It is intended that recommendations from the conference would be useful to donors, partners, and the institutions involved in the global governance of climate change financing, for instance at the High Level Forum on Aid Effectiveness to be held in Seoul in late 2011, and the December 2010 Conference of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in Cancun, Mexico.

The approach

11. A rapid assessment of climate change financing and aid effectiveness was undertaken during the third quarter of 2010 in the 5 case study countries. A common framework was used (see annex a) for each of the studies. Fieldwork was undertaken by three different individuals, each with complementary experience and skills relating either to climate change or development effectiveness. The methodology for each case study was similar; a review of documentation followed by questioning of key respondents either face to face or in

[7] More information on the CDDE Facility can be found at www.aideffectiveness.org

writing, using the review framework as a reference. Findings were then collated in order to identify any emerging patterns or differences.

12.This report summarises these findings, placing them in the context of the broader experience relating to the delivery of climate change finance and principles of external development assistance.

Funding the Response to Global Warming

Global Agreements to fund climate change have emerged over the last 20 years

13. The 1992 Earth Summit in Rio de Janeiro produced the United Nations Framework Convention on Climate Change. It established the principle that industrialised countries (termed 'Annex II countries' – principally members of the OECD) should pay for the costs of reducing emissions in developing countries.

14.In 1997, the Kyoto Protocol[8] for the first time set targets for global emissions of greenhouse gases. In particular it limited the permitted emissions of countries, and created market-based financing mechanisms to help countries meet emissions targets;

- **Emissions Trading** (the 'carbon market' which allows countries with 'spare' emission units to sell them to countries over their targets),
- the **Clean Development Mechanism** (which allows emitting countries to implement emission reduction projects in developing countries, and thus earn Certified Emission Reduction Credits - CER), and
- the **'Joint Implementation'** process where particular countries could undertake projects in others and gain emissions credits.

15. Article 11 of the Kyoto protocol was clear where the burden should fall; developed countries should "Provide **new and additional financial resources** to meet the agreed full costs incurred by developing country Parties".

16. A year later, the Buenos Aires Plan of Action[9] was agreed. This made the Global Environment Facility (on behalf of the UNFCCC) responsible for managing the funding of activities supporting *adaptation* in developing countries, specifically technology transfer and capacity-building. The GEF had been set up as a trust fund (administered by the World Bank) to provide funding for the four Rio conventions (United Nations Convention on Biological Diversity -UNCBD, the UNFCCC, the Stockholm Convention and United Nations Convention to Combat Desertification - UNCCD). In 2001 the UNFCCC decided to establish a Special Climate Change Fund[10] (SCCF) and a Least Developed Country Fund (LDCF) to finance projects relating to climate change adaptation, technology transfer and capacity building. Since then other windows have been put in place to support difference aspects of the global response (see table 1 below).

17.In December 2007, the Conference of Parties to the UNFCCC again met, in Bali. Recognising the 'unequivocal' evidence of the Fourth Assessment Report of the IPCC, they agreed the 'Bali Action Plan', which aimed to accelerate the global response to climate

8 see http://unfccc.int/resource/docs/convkp/kpeng.pdf

9 see http://unfccc.int/resource/docs/cop4/16a01.pdf

10 Funding for the SCCF was raised by voluntary contributions beyond regular GEF replenishment from 13 contributing participants (Canada, Denmark, Finland, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom)

change. The action plan included specific actions to mobilise increased funding, and is seen as a manifesto for enhanced development assistance for climate change

There are now many different sources of funding

18. During the same period that the UNFCCC was developing its response, other dedicated mechanisms for channelling funds for the response to climate change have been established, by both multilateral and bilateral funders. At the same time, and in parallel, 'traditional' ODA funds continue to be allocated to fund both adaptation[11] and mitigation[12]. By 2010, the following global funds had been put in place. (See annex 2 for a diagram how these funds relate to each other).

Table 1: Global Climate Change Funds (2010)

Administrator	Fund	Adaptation	Mitigation	US$ m Pledged	US$ m Deposited
The Global Environment Facility (GEF)	GEF Trust Fund - Climate Change focal area (GEF 4)	✓	✓	$1,033	$1,033
	Least Developed Countries Fund (LDCF)	✓		$221	$169
	Special Climate Change Fund (SCCF)	✓		$148	$111
	GEF Trust Fund - Climate Change focal area (GEF 5)	✓	✓	$1,359	$0.00
	Strategic Priority on Adaptation (SPA)	✓		?	?
World Bank	Clean Technology Fund (CTF)		✓	$4,388	$484
	Pilot Program for Climate Resilience	✓		$982	$175
	Forest Carbon Partnership Facility		✓	$221	$174
	Forest Investment Program (FIP)		✓	$562	$34
	Scaling-Up Renewable Energy Program for Low Income Countries		✓	$300	$24
	Strategic Climate Fund (SCF)	✓	✓	?	?
European Community (EC)	Global Climate Change Alliance	✓	✓	$204	$202
	Global Energy Efficiency and Renewable Energy Fund (GEEREF)		✓	$170	$64
UNDP	MDG Achievement Fund – Environment and Climate Change thematic window	✓	✓	$90	$90
	UN-REDD Programme		✓	$87	$87
UK	Environmental Transformation Fund - International Window (ETF-IW)	✓	✓	?	?
Japan	Hatoyama Initiative	✓	✓	$15,000	$5,320
Germany	International Climate Initiative (ICI)	✓	✓	$520	$516
Brazilian Development	Amazon Fund (Fundo Amazônia)	✓	✓	$1,000	$110

11 *Adaptation:* Is a process by which strategies to moderate, cope with and take advantage of the consequences of climatic events are enhanced, developed, and implemented. (UNDP, 2005)

12 *Mitigation*: limiting anthropogenic emissions of greenhouse gases (OECD 2009)

Table 1: Global Climate Change Funds (2010)					
Administrator	Fund	Adaptation	Mitigation	US$ m	
				Pledged	Deposited
Bank (BNDES)					
Australia	International Forest Carbon Initiative (IFCI)		✓	$244	$243
African Development Bank (AfDB)	Congo Basin Forest Fund		✓	$165	$165
Adaptation Fund Board	Adaptation Fund	✓		$198	$171.58
			Total	**$26,891**	**$9,171**

Data accurate as of July 2010. See www.climatefundsupdate.org for details.

19. With some notable exceptions (e.g. the Congo Basin Forest Fund and the Amazon Fund) Asian countries are able to apply for funding from all of these sources.

20. Each of these funds has its own criteria for disbursement. Some are sector specific (such as REDD – Reduced Emissions from Deforestation and Forest Degradation, the Forest Investment Program and the International Forest Carbon Initiative). Others are less defined in their scope. However, applications for funding and reporting of performance take place through specific mechanisms, usually directly to the administrative headquarters of the funds.

Climate Change finance is, in theory, additional to normal development funding
21.To be eligible for climate change financing from UNFCCC related funds, projects must be able to demonstrate two things; their *additionality* and that the impacts on carbon are *measurable, reportable, verifiable* (MRV).

Additionality

1. In Kyoto project-based mechanisms (i.e. Clean Development Mechanism and Joint Implementation projects) *additionality* describes that a carbon dioxide reduction project would not have occurred had it not been for concern for the mitigation of climate change. It is thus beyond a "business as usual" project. To qualify for such funding, a project has to demonstrate additionality.

2. Additionality for climate change financing can also refer to donors providing funds beyond "business as usual" ODA levels, in order to enable communities and countries to adapt to climate change impacts. This means identifying the additional cost to development programmes and projects that adapting to climate change will require. It is also an area of considerable international debate, since developing countries argue (as they did at COP15 in Copenhagen) that this financing should not be classed as ODA.

To be eligible for funding, partners are often required have particular institutions in place
22.It is also notable that, in order to participate in the funding mechanisms for climate change, signatory countries to the UNFCCC must create certain institutions and follow

procedures defined by the UNFCCC. They must have, for instance, designated focal points for partnership, and least Developed Countries (such as Bangladesh and Cambodia) who wish to develop National Adaptation Programmes of Action (and release funding for priority actions for adaptation funding) must follow the processes set out at COP13 in 2001[13].

> "Para 8 (a) The setting up of a national NAPA team: the national climate change focal point will set up a NAPA team composed of a lead agency and representatives of stakeholders including government agencies and civil society. This group would be constituted using an open and flexible process that will be inclusive and transparent. The NAPA team will be responsible for preparing the NAPA and coordinating the implementation of NAPA activities…"

23.Whilst apparently innocuous, the external requirement for defined institutional mechanisms can, as will be seen later, create tensions over policy and administrative roles in recipient countries.

The number of funding sources continues to expand

24.At COP15 some donors also committed to provide new resources for the period 2010-12 for both mitigation and adaptation, the so called Fast Start Finance (FSF).

Table 2: Fast Start Finance Commitments

Donor country	US$ bn	
	Pledge	**New Money?**
Japan	15	5
EU reported pledge	10	?
US	3.2	1.9
UK	2.3	?
Germany	1.7	1.7
France	1.7	?
Sweden	1.1	1.1
Italy	0.8	?
Norway	0.6	0.5
Spain	0.5	?
Netherlands	0.4	0.4
Canada	0.4	0.4
Australia	0.3	0.3
Belgium	0.2	?
Denmark	0.2	?
Austria	0.2	?
EU Commission	0.2	0.2
Finland	0.1	0.1
Ireland	0.1	?
Total	**29**	**11.6**

25.When these international resources are considered alongside private sector sources of finance (eg CDM) and partner country's own domestic budgets, the total package of

[13] See http://unfccc.int/resource/docs/cop7/13a04.pdf#page=7

resources for Climate Change is varied and diverse. Comprehensive information on funding is difficult to find. Understanding how these different elements fit together is still developing.

Providing external financing for any development activity is complicated
26. This complexity is not unique to climate change financing. Indeed, how to enable developing countries to access, manage and get the most benefit from a diverse range of multilateral and bilateral funds has been central to the dialogue around international development during the last three decades. In particular, ensuring that such international funding supports country planning and objectives and relates to other sources of finance such as domestic resources and foreign direct investment have long been recognised as key challenges.

What are the agreed principles for international climate change financing?

The international community has developed collective approaches to improve effectiveness
27. After years of debate, the 2002 United Nations International Conference on Financing for Development in Monterrey provided the foundation of current international development co-operation arrangements. Signed by more than 200 countries, the Monterrey Consensus sought to ensure that all international finance for development is provided in a coherent way (whether in the form of bilateral or multilateral assistance, or as private investment, or through other forms). In particular, the Monterrey Consensus emphasised the need for a *partnership approach* between all stakeholders, and committed funding partners to increased financial support and technical co-operation, and recipient countries to prioritising development funding.

28.In February 2005, the Government of France hosted a High Level Forum of donor and recipient countries. It was convened to take stock of global progress in making aid more effective post Monterrey, and to identify the areas in which more could be done. Out of this meeting came the "Paris Principles".

The Principles of the Paris Declaration

Ownership

Ownership is the foundational principle of the Paris Declaration. Development is something that must be done by developing countries, not to them. Policies and institutional reforms will be effective only so far as they emerge out of genuinely country-led processes. External assistance must be tailored towards helping developing countries achieve their own development objectives, leaving donors in a supporting role.

Alignment

Under the Paris Declaration, the principle of alignment refers to two important changes to aid practice. The first is that donors should base their support on the partner country's development priorities, policies and strategies ('policy alignment'). The second is that aid should be delivered as far as possible using country systems for managing development activities, rather than through stand-alone project structures ('systems alignment').

Harmonisation

Harmonisation refers to cooperation between donors to improve the efficiency of aid delivery. Donors are aware that multiple initiatives by different donors, each with their rules and procedures, can be very draining for developing country administrations. To reduce the transaction costs of aid, donors have been developing a range of new approaches, including programme-based approaches, pooled funding arrangements, joint country plans and other common arrangements.

Managing for Results

Managing for results is a general principle of management that involves using information about results systematically to improve decision-making and strengthen performance. In the development field, it means ensuring that all development activities are orientated towards achieving the maximum benefits for poor men and women. It means ensuring that all initiatives, from individual aid projects through to national development strategies, are designed so as to generate performance information and use it for continuous improvement.

Mutual accountability

Mutual accountability is perhaps the most controversial of the Paris principles, and the most difficult to put into practice. It suggests that, in a true development partnership, there are commitments on both sides of the relationship, and both donors and partner countries should be accountable to each other ('mutual' accountability) for meeting those commitments. However, there are also many other accountability relationships involved in the development process that need to be taken into account.

One of the innovative aspects of the Paris Declaration is that the commitments are reciprocal in nature, applying both to donors and to developing countries. This is an advance on its predecessor, the Rome Declaration, where the commitments were all on the donor side, and to traditional aid practices where the obligations were mostly on recipients. Reciprocal commitments create for the first time the possibility of mutual accountability.

29.In September 2008, a further meeting was held in Accra, Ghana restating the global commitment to aid effectiveness and the Paris Principles, and setting out an "Accra Agenda for Action". This sought to accelerate progress, particularly improving the use of partner country systems to deliver aid. Additional emphasis was placed on ensuring predictability of funding, that donors remove prescriptive conditions placed on how funds might be spent, and that all aid must be "untied" (free from restrictions on where goods and services which are funded by aid can be bought[14]).

30.Indicators were developed to help assess progress in implementing the Paris principles and the Accra Agenda for Action. These are monitored periodically. In addition, evaluation of the implementation has been undertaken.

31.The next High Level Forum will be held in Seoul in late 2011, where progress against the agenda to date will be assessed.

Climate change financing has been recognised as a key element of external development finance

[14] See OECD Website at http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html

32.In 2006 the OECD agreed a Declaration on Integrating Climate Adaptation into Development Co-operation. This commits OECD members to "work to better integrate climate change adaptation in development planning and assistance, both with their own governments and in activities undertaken with partner countries." It specifically mentions the Paris Declaration as the benchmark for providing such assistance. In 2009, this commitment was further articulated through policy guidance[15] that reinforced the relationship between external climate change finance and the international commitments to aid effectiveness.

OECD Policy Guidance:
Integrating Climate Change Adaptation into Development Co-operation

"Our support to developing countries to address the new challenges of climate change adaptation will be guided by the commitments of the ***Monterrey Consensus***, the ***Paris Declaration on Aid Effectiveness*** and the ***Accra Agenda for Action***.

Country ownership is key. Consequently our assistance for mainstreaming climate change adaptation into development co-operation will be aligned to partner countries' long-term visions and their development plans and programmes. The majority of Least Developed Country Parties to the UNFCCC have or are developing National Adaptation Programmes of Action (NAPAs). These and similar plans and strategies developed by other countries can provide a useful starting point.

To the maximum extent possible we will seek to use our partners' own systems and harmonise our approaches. Our assistance should accordingly be administered by the relevant national authorities in partner countries. It will be accompanied by capacity development support to enable our partners, at various levels, to lead and manage all aspects of climate change adaptation.

We will use a variety of aid modalities, considering each country's situation, and will make the maximum use of programmatic instruments such as programme-based and sector-wide approaches.

We will provide our assistance in an efficient and effective manner in line with the principles of Aid Effectiveness and we will mobilise private sector support."

33.For climate change funding, however, there is a further challenge. Most investments relate to investing in activities that deal with *possible* (not certain) climate change scenarios and impacts in the future. If we wait until we know what the precise impacts will be (for instance by observing the actual sea level rise) it will then be too late to respond effectively; we may already be under water. Equally, general development (the achievement of the MDGs, achieving poverty targets) needs to be similarly 'future proofed' using appropriate investments now to ensure that future development is not impeded. This is termed the 'no regrets' approach, and requires management of uncertainty. It also requires that all development activities, whether identified as climate change related or not, are 'future proofed'.

[15] See OECD Website at http://www.oecd.org/dataoecd/0/9/43652123.pdf and annex 5

Vertical Funding Mechanisms

34.It is estimated that, in order to inhibit further global warming, comprehensive reductions in emissions will have to be put in place within the next 15 years. During the same period, infrastructure which will last more than a generation (such as coastal defenses, roads, ports, water and electricity supplies) need to be made resilient to the future impacts of climate change. Similarly, the increasing frequency and severity of sudden onset disasters needs to be prepared for. Given these pressures, donors want to spend (and to be seen to be spending) as soon as possible in responding to climate change. And their preferred modality is through vertical funds.

The characteristics of vertical funding

35.During the last decade, global programmes (vertical funds) have become an increasingly important element of the international aid architecture. Examples of global programmes include the Global Fund to Fight AIDS, Tuberculosis and Malaria, Global Alliance for Vaccines and Immunization (GAVI), the Education for All-Fast Track Initiative (EFA-FTI), and the President's Emergency Plan for AIDS Relief (PEPFAR). While these programmes have very different models and fund different sectors, they all earmark their funding discrete purposes. They are usually seen as funding the provision of global public goods.

Global Programmes and Vertical Funds: a World Bank Perspective

"Global programs – often referred to also as 'global funds' or 'vertical funds' – are defined (see IEG, 2004) as 'partnerships and related initiatives whose benefits are intended to cut across more than one region of the world and in which the partners: (a) reach explicit agreement on objectives; (b) agree to establish a new (formal or informal) organization; (c) generate new products or services; and (d) contribute dedicated resources to the program.' In other words, global programs focus "vertically" on specific issues or themes, in contrast with the 'horizontal' approach of the country-based model of aid."

"The effectiveness and the sustainability of global programs will ultimately rest on the presence of complementary sector-level and country-level policies. As noted in the 2006 Global Monitoring Report (p. 78), 'global funds need to support country-led strategies and priorities (...)'. A recent joint DAC-World Bank workshop (Paris, December 5, 2006) concluded that a 'mutually reinforcing approach" between global programs and the country-based aid delivery model should be developed, focusing on complementarities and strengthening the alignment of 'vertical' aid with country programs."

Extract from "A Brief History of Aid Institutions" World Bank 2008

36.In addition to the characteristics set out above, vertical funding shares similar characteristics to climate change financing;

- It is additional to 'normal' ODA,
- It is for a narrowly defined purpose
- It has specific monitoring and reporting requirements
- Administration is not delegated to country offices but retained at international headquarters.

The particular challenges of Climate Change financing as vertical funding

37. As indicated above, vertical funds for climate change financing have been established more quickly (and prolifically) than for any other development challenge. And with good reason. However, there continues to be considerable debate between experts around the impact of such vertical mechanisms. Some see them as providing effective, targeted funding for defined purposes. Others see such funding as distorting and fragmenting development, getting in the way of countries defining and managing their own processes and working against the harmonisation of all development assistance.

38.As the World Bank notes above, vertical funds face particular challenges when trying to integrate their programmatic objectives with broader national development processes. And they will only be effective and sustainable if they do.

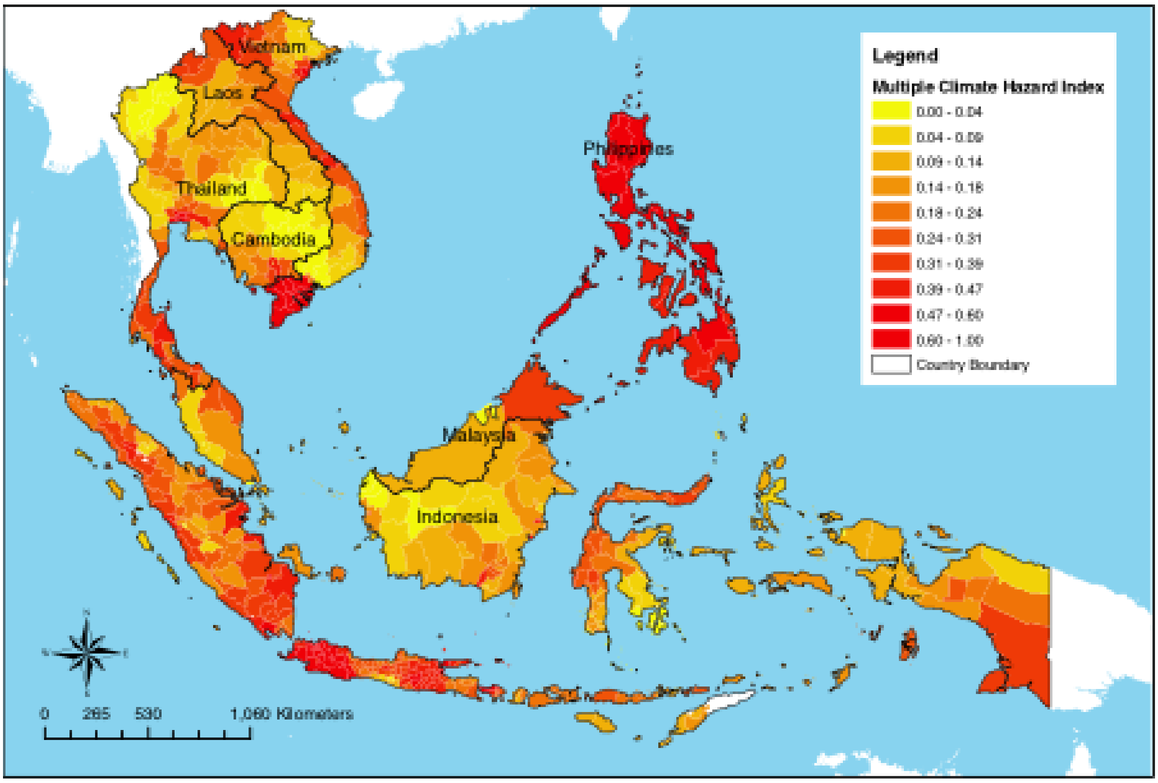
39.Other nationally led financing modalities such as Programme Based Approaches and Budget Support may provide some characteristics that are useful to consider in the design of climate change financing mechanisms; indeed as will be seen below, some countries are beginning to question if separate climate change financing mechanisms are the most effective means of supporting integrated responses to climate change. By the same token, given the cross cutting nature of the climate change agenda, it is highly likely that if they are to be effective, climate change financing mechanisms will require innovate approaches that other aspects of ODA management would learn from.

The Case Study Countries

The case study countries are diverse

40.The five case study countries Bangladesh, Cambodia, Indonesia, the Philippines and Vietnam demonstrate a range of political, social and economic contexts.

41.They include one of the largest emitters of carbon dioxide, Indonesia, which contributes of 1.35%[16] of the global production of greenhouse gases through deforestation (and thus the 15th largest emitter in the world). They also include one of the lowest ranked emitters, Cambodia, contributing only 0.02% of the global total. Similarly, Bangladesh[17], the Philippines, and parts of Vietnam and Cambodia are among some of the most vulnerable countries in the world to the impacts of climate change.



Southeast Asia Climate Change Vulnerability Map, Yusuf and Francisco (2009)[18]
0 indicates the lowest vulnerability level, 1 the highest.

42.Two of the case study countries are classed as Least Developed (Bangladesh and Cambodia), the remaining three are Middle Income Countries, with Vietnam graduating to this status only in 2009. Such status is important for the discussion of external financing for climate change as it defines the nature of the aid dialogue, and the types of funding that can be accessed. As countries progress in development it would be expected that a more equal partnership with external funders would develop. In the Philippines, Indonesia and Vietnam, 'traditional' ODA funding is waning, with fewer grants and a disengagement by bilateral partners. However, funding for climate change activities, outside and theoretically

[16] UNFCCC 2007

[17] See Ahmed "Bangladesh :Climate Change impacts and Vulnerability" http://www.preventionweb.net/files/574_10370.pdf

[18] http://www.idrc.ca/uploads/user-S/12324196651Mapping_Report.pdf

additional to ODA, is likely to continue for the foreseeable future. Likewise the culture of aid management varies, with the Philippines and Indonesia receiving almost all funds as loans, and both make a significant contribution to their own climate change mitigation and adaptation finance. In contrast, Cambodia's assistance is mainly in the form of grants.

43.It will also be noted that political and administrative cultures also vary. Some countries are more centralized (Cambodia) than others (Indonesia).

The Philippines
The total ODA portfolio was estimated to be U$11 billion in 2009; $10bn in loans and $1bn in grants.

Indonesia
A report by the National Development Planning Agency (BAPPENAS), in the first quarter of 2010, shows that Indonesia manages US$ 20bn in development loans.

Cambodia
Current commitments to Cambodia for climate change are in the form of grants and roughly total USD$96 million. Although disbursements to climate change through ODA channels have been increasing, it is evident that at the same time other sectors, notably environment and conservation, have declined. Since 2004, ODA to environment and conservation has steadily decreased from US$19.6 million to US$7.6 million in 2008.

44.Whilst the countries are disparate in experience, they are all receiving climate change financing in one form or another.

External Climate Financing in the case study countries is hard to quantify
45.As implied above, gathering data on climate change financing is problematic. It was not possible for this exercise to identify with certainty all funding relating to climate change, committed to or received by all the case study countries. It will also be noted that much climate change finance takes place as part of 'traditional' ODA.

Vietnam
A matrix of funding, compiled by the World Bank identifies total commitments of US$1.56billion, some of which has been disbursed. However, this data is not yet fully comprehensive, nor available in a form that enables detailed and robust analysis of funding types (loans or grants) or expected utilization.

Bangladesh
$260m worth of climate funds is reported to be currently in place (including government contributions).

Philippines
Grants received for climate change mitigation and adaptation since 1992 total $1bn. From 2004 to 2008, the government alone provided $1.6bn for climate change, while external agencies provided roughly $1bn, 40% of which was in the form of loans.

46. The following sets out the projects funded in 2010 in each country under global climate change financing arrangements, as identified by the independent Climate Funds Update website (see Annex 3 for details).

Country	Current Projects	Total Value (US$ m)
Indonesia	10	$30.88
Philippines	9	$23.32
Vietnam	8	$22.98
Cambodia	5	$6.62
Bangladesh	3	$6.50
Total	**35**	**$90.30**

Data as of Oct 2010 from Climate Funds Update, supported by the Heinrich Boll Stiftung and ODI
http://www.climatefundsupdate.org

47. The following also summarises current CDM activities in the five case study countries.

	Approved CDM Projects	Approved Reductions*
Indonesia	23	2,133,580
Vietnam	8	294,775
Philippines	3	153,628
Bangladesh	1	80,000
Cambodia	2	55,629
Total	**37**	**2,717,612**

*Estimated emission reductions in metric tonnes of CO_2 equivalent per annum
See http://cdm.unfccc.int/index.html & Annex 4 for more details

48.That it is not possible to clearly articulate what is being spent on climate change activities in the five countries is itself instructive.

Findings from the Case Studies

49.This section looks at the similarities and differences in how financing for climate change is being managed across the five case study countries, according to the principles of aid effectiveness.

Ownership

50.All case study countries are members of the United Nations Framework Convention on Climate Change (UNFCCC) and have signed the Kyoto Protocol. Under article 3.4, the UNFCC urges signatories to incorporate climate change into national development planning. The Bali Action Plan of December 2007, delivered by the UNFCCC at the 13th Conference of Parties (COP13) went further, urging developing countries to integrate adaptation actions into sectoral and national planning and programmes.

Is climate change integrated within existing policy and planning processes?

51.All of the case study countries have climate change plans, in one form or another, albeit at different stages of progress.

In the **Philippines,** a climate change bill was introduced in late 2007, being made law as the Climate Change Act of 2009. The purpose of the Act is to mainstream climate change into government policy, establishing a framework strategy and programme on climate change. This Act has led to a National Framework Strategy on Climate Change for the period 2010-2022. A process of coordinating the formulation of an Action Plan to implement the strategy is underway. At the same time, the National Economic and Development Authority (NEDA) is mainstreaming climate change into the Medium-Term Philippines Development Plan for the period 2011-2016

52.In the other case study countries, the policy and legislative framework does not include all three elements of legislation, strategy and action planning.

The **Government of Indonesia** (host of COP13 in Bali) developed policy documents that set out how mitigation and adaptation activities were to be integrated into the National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional*, or RPJMN), and guiding sectors and local governments in the implementation of climate change programmes. This led to the National Development Planning: Response to Climate Change document, commonly known as "The Yellow Book" which acts as a reference for the international community in providing support, and an Indonesia Climate Change Sectoral Roadmap (ICCSR) that harmonises programmes and climate change actions within sub-sectors.

In **Vietnam,** the Prime Minister issued an executive decision (which is law) in December 2008 approving a National Target Program to Respond to Climate Change. This has three phases and implements a national process that will lead, eventually, to a single national plan to respond to climate change. The programme has an explicit objective to ensure that climate change is incorporated into national and provincial plans. Specifically, it sets out that each line ministry and local administration should have a Climate Change Action Plan. While climate change does not feature in the current Five Year Socio-Economic Development Plan (SEDP) nor in the guidance framework for the next SEDP, indications are that the next Party Congress, to be held in early 2011, will pay particular attention to climate change, and climate change will be mainstreamed in some form into the 2011-2015 SEDP.

In **Bangladesh** the Climate Change Strategy and Action Plan (BCCSAP) was developed following on from 2005 National Adaptation Programme of Action. This has strong cross-party support, and is intended to integrate into the three-year poverty reduction strategy, the National Strategy for Accelerated Poverty Reduction (NSAPR). Whilst tackling climate change is one of the supp five supporting strategies of the NSAPR, the BCCSAP has yet to be fully integrated into it (primarily, it is reported, as a result of capacity constraints).

In **Cambodia** it is planned that The National Strategy and Action Plan for Climate Change will be a key policy priority in the National Strategic Development Plan 2009-2013. This action plan will provide the comprehensive policy and budgetary framework needed to strengthen government ownership of climate change financing. While there is an intention to mainstream climate change into sectoral work, this has yet to be fully implemented.

Do roles and responsibilities support co-ordination?

53. Whilst the above demonstrates that planning is underway, in all cases there is a level of role confusion as to who oversees climate change financing. Climate change, like its related issue Disaster Risk Reduction, cuts across sectors, and arguably requires management that seeks to integrate, not fragment policy, implementation and budgeting processes. Unfortunately this is not always the case.

In the **Philippines,** while a Climate Change Commission (CCC) exists, the Climate Change Act does not adequately address the institutional arrangements for managing climate finance. This has created some confusion over which agency should be responsible for coordination, notably about which part of government should oversee the Adaptation Fund.

In **Indonesia** it is the National Board on Climate Change (DNPI) who would (in theory) coordinate climate change activities. However, the National Development Planning Agency (BAPPENAS) and The Ministry of Environment (KLN) are also playing coordinating roles, and traditionally BAPPENAS has played the lead coordination role in development planning and cooperation.

In **Vietnam,** there is a National Steering Committee for the National Target Program to Respond to Climate Change, chaired by the Prime Minister. A Standing Office has been put in place to implement the programme, as well as an Executive Board, chaired by the Minister of Natural Resources and the Environment (MONRE). MONRE provides most of the resources for co-ordination. However, other line ministries, notably the Ministry of Agriculture and Rural Development (MARD), have a considerable stake in the development of the national response. MARD has established a steering committee for climate change adaptation and mitigation (OCCA), and has identified a series of (primarily adaptation) projects for funding (totalling up to $12bn for five years) on activities ranging from rural infrastructure to agriculture systems adaptation.

In **Bangladesh,** the National Environment Committee/Council provide strategic guidance and oversight to the response to climate change. In operation, co-ordination is undertaken by the Climate Change Secretariat/Unit at the Ministry of Environment and Forests (MoEF), which liaises with climate change cells in all ministries to plan and implement activities in their respective ministries. The MoEF's role is to convene and coordinate the various line ministries, and in supporting them to take the necessary steps to mainstream climate change into their plans and programmes.

54.The tension between Ministries of Environment (which tend to provide the co-ordination function for climate change) and other ministries is a common theme.

Do the different global funds support national ownership?

55.Many of the specialist climate funds require a high level of knowledge in order to access them. In Cambodia, according to the Climate Change Department (CCD), most external financing provided in response to climate change needs have been identified by non-government actors (GEF implementing agencies, NGOs, etc.) who have a clearer understanding of the rules, procedures and requirements for accessing funds of various sources. As a rule, concerned government entities have been consulted, sometimes formally due to donor requirements. However, it is reflected that the Government does not own the initiatives.

Cambodia's CCD identified a number of challenges in accessing the global climate change funds, including:

- Fragmented and diffuse array of climate funding options;
- Complex rules and procedures in accessing the funds;
- Relatively small amounts available compared to recipient country needs;
- Co-financing requirement is especially difficult for Least Developed Countries;
- Limited national capacity and lack of incentive in developing proposals for funding due to long lead times and overheads;
- Limited local knowledge of the rules and procedures of each fund; and
- Mandatory requirement to include a GEF agency in GEF proposals – the priorities of these agencies can contradict recipient government priorities and agendas.

56.By the same token, Viet Nam and Bangladesh also exhibit characteristics replicated in countries that have implemented the institutional requirements of the global climate change governance bodies. By requiring the designation of focal points with particular responsibilities for particular policy areas (e.g. for the UNFCCC, the CDM Designated National Authority, UN-REDD, UNCCD), unhelpful dynamics between ministries and agencies for the co-ordination of climate change policy may result. In particular, this can affect how policy ministries relate to each other over the competition for, and access to, funding for climate change from the different funding channels. It is notable that, in most cases, a Ministry of Environment is often seen as a junior department of government. It tends to have weaker resources.

What is the relationship between the urgency of international efforts and national political priorities?

57.This leads to a further observation. In some countries (notably Bangladesh) climate change has considerable political salience, and the current policy is based on a long-standing approach to disaster risk reduction. In other contexts (such as Vietnam) it is becoming more of a political issue. However, it is arguable for some countries in the region, were it not for the international focus on climate change and the demands of the international climate change architecture, it is unlikely that climate change would yet feature as an issue in the political discourse nor would there be the institutional mechanisms that currently exist. That it is has got this far, it can be argued, is due to the work the international community. However, the lack of real domestic political salience means that policy development, co-ordination and implementation may be constrained and where it is in place, not necessarily appropriate to the particular context.

Alignment

58.Alignment addresses dual objectives. The first is to ensure that external finance is consistent with recipient Governments' development priorities and the second is to strengthen and use national budgeting, implementation and reporting systems.

Does climate finance support domestic priorities?

59.In some of the case study countries, external funding partners are holding off providing funds until such time as comprehensive climate change action plans have been finalized (for instance Japan's support to the Philippines). At the same time, in the same countries, climate financing is about to flow because the conditions relating to a particular climate change funding stream have been satisfied (for instance the Clean Technology Fund finance to the Philippines, channelled through the World Bank and Asian Development Bank).

60.This divergence in approach to funding illustrates a key challenge for climate change financing. On the one hand needs are great and urgent, and funds (with clearly defined remits and requirements) are available. On the other hand (as seen above) countries in the region are at different stages in implementing their own policies, strategies and plans; providing funds in ways that are not consistent with the final policies might prove less than effective in the medium and long term.

Is funding predictable and based on needs?

61.Predictability, particularly of the 'vertical' funds, is difficult to forecast. Whilst emitters (the Annex 1 countries) have generally made significant pledges at COPs such as Copenhagen they have (with notable and honourable exceptions) made limited progress in realising pledges.

62.It appears that for climate change financing across the region, support by external partners is more often than not 'supply driven'. In Cambodia, the Climate Change Department identified that a number of development partners preferred to work with selected ministries by following existing capacities rather than aligning to capacity needs. This is also the case in Vietnam, where long-term relationships between line ministries and funders have resulted in concerns that bilateral discussions on funding for climate change are taking place without full involvement of the Ministry for Planning and Investment and the Ministry of Finance, who would ensure that financing was fully integrated with national plans, budgets and processes.

63.In Cambodia, it was also observed some development partners (such as the 10 GEF Implementing Agencies) have little core resources for climate change. However, they can assist recipient countries in accessing various GEF funds (core funds, Least Developed Countries Fund, Adaptation Fund, etc.) while at the same time charging administrative costs for services provided.

64.In Viet Nam, since there are no developed plans for climate change financing, climate change funding does not yet help to fully reduce financing gaps that have been identified and costed into the national or sub national strategies. Rather, the availability of the financing has led to funding opportunities being identified. It is arguable whether this supports national planning. Indeed it is not yet clear in Viet Nam whether climate change funding should be integrated fully (as the Ministry of Finance and Ministry of Planning and Investment would prefer) into the activities of line ministries and provinces, or be managed and reported as separate projects (as some funding partners require).

Does funding support and integrate with national systems for budgeting and reporting?
65.Equally the modality of providing assistance is often 'supply driven'. Ministries of Finance in the case study countries express a preference (on the whole) for budget support or programme-based approaches as the modality of assistance. Much climate change financing is, however, discrete, provided through vertical funds with defined requirements and sometimes requiring separate project implementation units to be put in place. The country case study for Cambodia notes that:

> "… donors working in the cross-sector demonstrate a wide array of foreign rules, requirements (administrative, financial, visibility, etc.) and agendas. Although donors understand the need to align, implementation of their stated commitments to align to climate change activities with Royal Government of Cambodia plans has proven challenging. When donors state that their initiatives are aligned to RGC policy priorities, the reality is that often the actions are pre-set objectives for support, which are subsequently modified to make them seem to be aligned with government policy priorities."

66.Whether systems are adequate to fully enable partners to report on and manage funding is a key issue. In Vietnam, systems cannot yet 'earmark' climate funding that is allocated into the general budget, although there is work underway to do this. Similarly there is no system in place in Indonesia to capture and report on all climate change financing provided by external partners. In Bangladesh a debate is underway on the ability of government to maintain fiduciary standards. This has resulted in a split of responsibility between government having the lead role in the programming funds, whilst the World Bank continues maintains the financial systems that satisfy donors (the precise roles and responsibilities of the government agencies and the World Bank are still being worked out in an evolving operations manual). In Cambodia, there are also systemic constraints to the use of country systems for climate change financing; the MoE does not currently have the sufficient financial management systems capacity to manage the Cambodia Climate Change Alliance Trust Fund, so the UNDP (temporarily) manages the fund, supported by European Union, DANIDA and Sida with functions being handed over to government following a three-year capacity support period.

Does climate change financing contribute to the strengthening of country systems?
67.It should be noted that a key driver for the alignment principle in the Paris Declaration was to give all partners an incentive to strengthen financial management systems. Progress on this across the region is mixed; without the political will and sustained attention paid to organisational development, capacity support from external partners in this area is unlikely to succeed. This is an issue clearly beyond the narrow confines of climate change financing.

68.It should be noted that, other than the generic commitments to alignment set out in the Hanoi Core Statement (for Viet Nam) and the Jakarta Commitment (for Indonesia) there was no specific commitment from funding partners in the case study countries to align their climate change funding with partner country policies and systems.

Harmonisation

What arrangements are in place to ensure that all funders of climate change work in a coherent way?
69.The case study countries have a variety of mechanisms to ensure external financial assistance for climate change is harmonized. In all countries, there is an overarching Consultative Group or equivalent to guide harmonization of funding for general ODA. In the case of Viet Nam and Indonesia, there are particular accords that commit partners to harmonized assistance. However, it is not clear whether, in all countries, funding partners see climate finance as falling within the realm of current donor co-ordination arrangements. In all cases, however, co-ordination and information sharing mechanisms particular to climate change financing have yet to be formalized, but are emerging.

Are all funding partners included in the co-ordination arrangements?
70.In the Philippines, much of the international climate finance, (largely technical assistance) flows through the Global Environment Facility and bilateral agencies, including the German, Australian and Spanish governments. While most funds are provided independently to the relevant agencies, the donor agencies have set up an informal consultative group to exchange information on each other's work, which does not involve any government participation. Similarly in Indonesia, DFID and AusAID have recently begun convening informal climate change meetings among development partners to share information. A formal letter is currently being drafted to inform Government of the development partner's meeting. There are also monthly informal development partner meetings in Cambodia, hosted by UNDP, but these are not regularly attended by some major donors. The UNDP as convenor of the donor meetings keeps the most up-to-date register of funded and planned climate change activities. However, as attendance to the informal meetings is incomplete and irregular, the funding matrix is incomplete. As a first step towards a more coherent approach to the cross-sector, development partners participating in the informal climate change donor group have drafted a Statement of Cooperation. It is expected to be signed by development partners in the last quarter of 2010.

71.In Bangladesh, a Working Group [of the Local Consultative Group] on Climate Change and Environment is the main institutional mechanism for co-ordinating donor assistance. While no climate funds currently appear to be using budgetary support or other programme-based approaches, some donors in Bangladesh have undertaken joint missions and analysis and pooled their adaptation funds.

72.Questions remain, however, whether the co-ordination mechanisms are comprehensive. In none of the case study countries does it appear that representatives of all external funders for climate change assistance sit together to co-ordinate their funding. Similarly, it should be noted that not all funding sources are managed from within the recipient countries. Indeed many of the 'vertical' climate funds are administered from Northern capitals.

73.It is also true that, as with general development assistance, harmonization of external finance is a greater challenge where national policies are weak. Where policy and planning is strong, it is easier for external funders to be co-ordinated.

Managing for Results

74.The Paris Declaration requires donors and partner countries to make a joint commitment to managing for development results. Similarly, a condition of all dedicated climate change financing under the UNFCCC is that actions should be measurable, reportable and verifiable (MRV).

Do we know that current climate change financing gets results?

75.Progress on managing for results is variable. The Government of Philippines has identified Key Result Areas through the definition of higher-level long-term objectives, and sector-specific objectives, sub-objectives and strategic priorities for adaptation and mitigation. In doing so, they have taken the first important step of defining the climate outcomes that the country needs to achieve or make progress towards over a 12-year time frame.

The **Philippines Framework Strategy** defines two long-term objectives for adaptation and mitigation respectively:

- To build the adaptive capacity of communities and increasing the resilience of natural ecosystems to climate change
- Facilitate the transition towards low greenhouse gas emissions for sustainable development.

Seven additional sector-specific objectives for adaptation and six for mitigation have been defined. In some sectors, further sub-objectives have been defined, while strategic priorities have been identified for each sector. Taken together, these objectives and priorities provide a results framework that all stakeholders could work towards achieving.

In **Bangladesh** the Climate Change Action Plan for 2009-2018 outlines as its overarching goal: "to build the capacity and resilience of the country to meet the challenge of climate change." Under the six pillars identified in the strategy, the Action Plan identifies 28 outcomes that it would like to see achieved form 2009-2013 (MoEF 2009). While the articulation of these outcomes could serve as a starting point for developing a results-based monitoring framework, it needs to be further developed to include measurable performance indicators to track progress over time.

There is no framework yet in **Viet Nam** for measuring the impact of externally provided climate change finance. When climate change becomes incorporated in the national planning process, it is expected that a results framework for national climate change programming will be put in place. This is likely to happen with the implementation of the 2011-2015 Five Year Plan.

In **Cambodia** results frameworks have been developed based on donor requirements on a project-by-project basis. The project frameworks are not strongly linked to national climate change programming and overall development policy. A comprehensive results framework as part of the to-be-prepared National Strategy and Action Plan for climate change will be developed under the CCCA.

In **Indonesia**, which is aiming to be NAMA compliant, a lack of clarity on MRV guidelines at the global level, coupled with a lack of results-based management capacity at sub-national level are key constraints. A system to properly monitor and record MRV results has yet to be developed and capacity needs to be developed to ensure stronger linkages between climate change financing and results reporting.

76.In all the case study countries, results management and reporting systems are inadequate, either in terms of the specific requirements for UNFCCC funding or in the broader terms of the satisfying Paris Declaration commitments.

Mutual Accountability

77.The 2008 Paris Declaration Monitoring Survey noted that "Aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results."

Are there places where all stakeholders meet to hold each other to account?

78.Whilst all case study countries had a Development Forum or equivalent, none of the countries had a dedicated forum for dialogue where funding partners, recipient government and other stakeholders such as civil society could meet around climate change assistance and financing. Accountability mechanisms tend to be internal to government, based around bureaucratic requirements.

Do domestic accountability mechanisms take account of climate change?

79.Domestic accountability mechanisms in some of the case study countries (such as the Parliament in Bangladesh) have been involved in dialogue on climate change financing, and (also in Bangladesh) civil society organizations have participated in discussions on Climate Change Strategies and Action Plans. It is notable in Bangladesh that the strong local capacity of civil society, and the long engagement particularly in the disaster risk reduction plans building climate change to existing interventions is unlikely to pose a significant challenge. These are, however, the exceptions, and parliaments, the media and civil society have yet to fully engage with climate change across the region. It is also notable that, in general, institutions that build accountability, such as the media, are poorly equipped to deal with the climate change agenda and have limited capacity to monitor climate change activities and the implementation of external financing.

Recommendations

The following suggests recommendations that arise from this synthesis report. They are intended to be a stimulus for debate.

General

80. We should fully **use the lessons learnt** about aid and development over recent decades **to inform how climate change finance is provided**.

81. We should ensure we are being fully honest about the incentives (in operation rather than in vision) for much of the current funding received by countries. We need to constantly challenge all stakeholders to **ensure that the mechanisms and targets for financing are not being shaped by funding agencies**.

82. We need to ensure that there is a **transparent debate on the nature of climate change financing**, in order to ensure that it can be fully effective. Such debate needs to include recipients, beneficiaries and funders and be held at the highest level. We need to be honest about the risks to achieving funding and development objectives if the current modalities of assistance continue.

83. We should **reinforce the relationship of development outcomes to climate change**. We need to ensure that all stakeholders understand this inter-dependency, that climate change outcomes are development outcomes.

84. Monitoring and evaluation should support overall accountability for the achievement of reduced emissions and improved adaptation. **Mechanisms for monitoring and reporting should not drive how assistance is provided**.

85. We need to continue to **press for the real cost of mitigation and adaptation to be funded.**

Global Architecture

86. We should seek to **reduce the number of global climate change funding channels** and mechanisms in order to reduce the management burden on recipients.

87. The administrators of all and planned global funds should **commit to basic principles for the co-ordination of climate change finance and activities**, similar to or as set out in the OECD's Policy Statement on Integrating Climate Change Adaptation into Development Co-operation.

88. **Accessing global climate change funds should be simplified**. We need to make procedures and modalities easier for recipients to use. Lead times for managing and approving applications should reduce. Information for partners on how to access funds needs to be improved.

89. **All climate change funds should be able to readily contribute to budget support and programme-based mechanisms (trust funds etc) in country**. These should be the preferred modality for *funders*; projectised funding should be used only as a very last resort.

90. Ideally, **single channels for funding climate change activities should be established in each country**. All external funding should be placed in such mechanisms (which could be in the form of a trust fund). Funding could not be provided outside this single channel. Funds could then be used to augment national budgets in accordance with national priorities.

91. International climate change funds should **delegate the negotiation, administration and where possible *approval* of funding to local representatives** (they are more sensitive to local conditions and have the relationships with partners and other funders)[19].

92. The international climate change architecture **should not define the local institutional mechanisms for managing the response to climate change**. The focus of concern should be the necessary functions, not institutions.

93. **Knowledge should be regularly exchanged** between climate specialists, those responsible in developed governments for managing their countries' contribution to climate financing and the managers of aid programmes.

Regional

94. We should **further strengthen the political leadership** of climate change in Asia. We need to deepen the understanding of climate change not only as a technical issue (the science) but the social and political implications.

95. To improve mutual accountability, we should broaden the ownership of climate change financing activities. We should **build the capacity** of members of legislatures and Civil Society Organisations in the countries of the region to assess concepts such as adaptive capacity, emission reductions, additionality to participate more effectively in oversight processes.

96. We should **strengthen regional interaction around climate change financing,** and ensure it is a regular feature of regional dialogue on development.

97. At the same time, we should **strengthen the regional voice in the international institutions**, specifically relating to the way funding is managed, moving it away from being supply driven.

National

98. Development assistance works best when recipient governments are clear about what they want, what are their priorities and preferred modalities. Without country leadership, climate financing will continue to be supply driven. We need to have **national strategies, plans and budgets in place that *mainstream* climate change** activities within sectors and line ministries. Where these are not in place, we need to **accelerate the process**.

99. The volume of climate change funding is increasing. Climate change financing will not work if the wrong institutions are in place to manage the assistance. Climate change financing should, above all, be seen as a contribution to the overall development finance of a country. We should focus on **building role clarity in partner countries on co-**

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[19] It will be noted that 11 of the 22 international funds set out in this report are, in effect, administered by the World Bank

ordination. **The role of climate change focal points in co-ordinating external finance for climate change should be carefully considered in** order to ensure they are able to integrate climate change finance into development planning, particularly of line ministries. It is suggested that the role of the institutions responsible for the co-ordination of aid (usually the ministry of finance) is strengthened in relation to climate change.

100. We need to **strengthen the alignment of climate change financing with domestic budgets and systems**. Where these are weak, we need to put mechanisms in place (for instance shadow budgeting) that enable integrated planning to be developed.

101. To improve alignment, contributors of climate finance need to ensure that the **form of financing**, whether in of grants or loans, is consistent with what the government identifies as being appropriate.

102. We should reduce the fragmentation of funding on budgets in country by looking where possible to move to **programme based approaches, pooled funding mechanisms and country based trust funds**.

103. Climate change is not separate from other activities. We should **ensure linkages** between climate change financing and the priority government reforms: Public Financial Management, Public Administration Reform, and Sub National Democratic Development

104. We should support activities that **promote cross-sectoral understanding** of climate change in country.

105. We need to be able to **track climate change funding** within ODA databases. Where these do not exist we need to establish a new generation of databases that capture all development resources including climate change finance.

106. We should **reinforce the principles of aid effectiveness and for climate change financing at country level**. In country, we should restate the commitments of all donors to these principles.

107. The basic instruments of aid co-ordination and partnership need to be in place around climate change financing. We should ensure climate change financing is a key part of all discussions within **consultative groups** or their equivalents. There should be **formal agreements** to align and harmonise assistance between all funders, articulated in a Memorandum of Understanding or equivalent.

108. **All climate change funders should meet together regularly**. Funders should seek to develop a division of labour, reducing duplication and fragmentation. Ideally, the same funders should **collectively meet with recipient government representatives**.

109. To improve the management of results, we will need to ensure that any **results framework and monitoring and evaluation systems** that are developed as part of the Climate Change Action Plans are eventually integrated into the results frameworks that are used to measure and monitor progress against development outputs and outcomes.

END

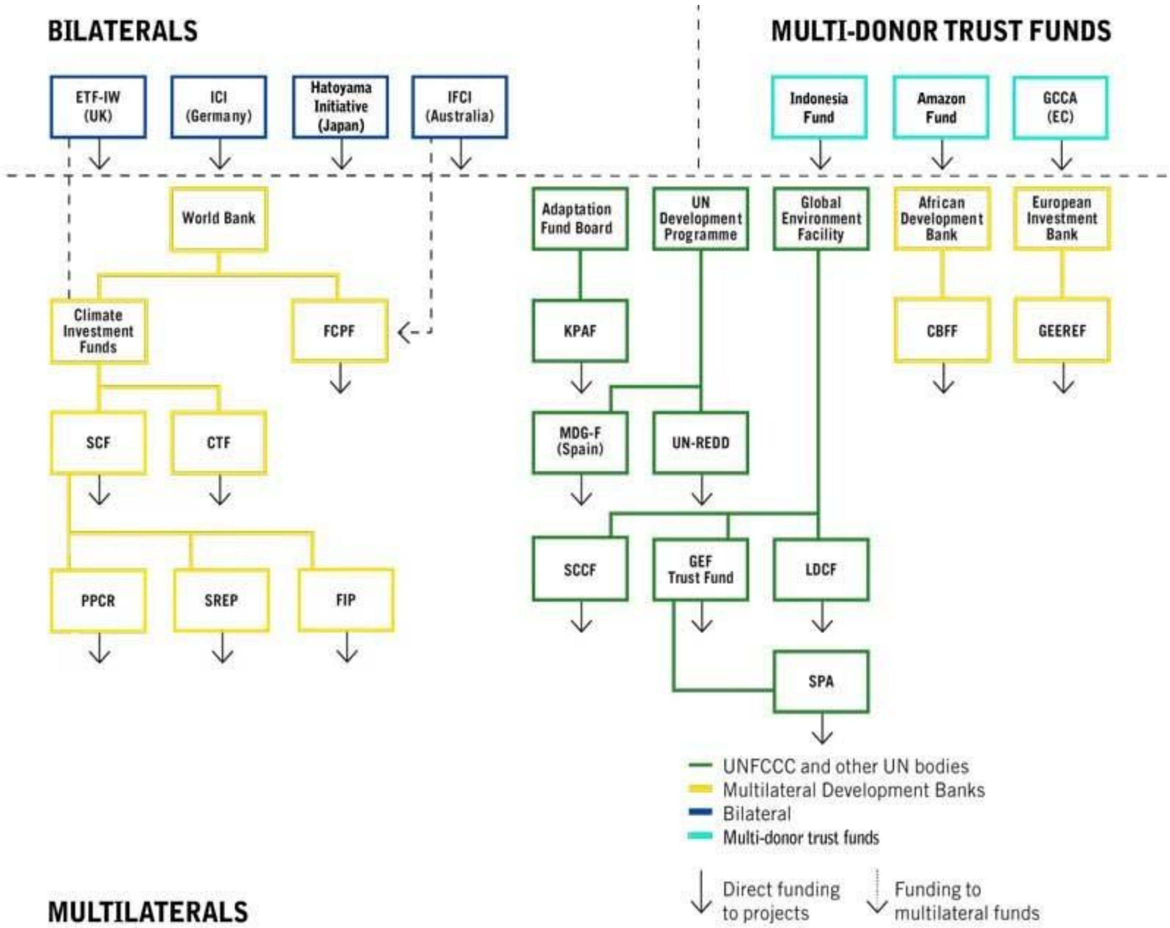
Annex 1: Matrix of questions

	Policy	**Capacity**	**Incentives**	**Constraints**
Ownership	What is the political commitment to having a climate change policy? Does the government have an overall policy framework setting out its policy objectives responding to climate change? Is climate change integrated into national development plans? Do line ministries have climate change policies and plans? Are climate change actions identified in national and sectoral budgets? What is the link between planning and financing for climate change at local, sectoral and national level? Who developed the strategies (e.g. sector ministries, provincial authorities, legislature, private sector, civil society, media etc)? What is the relationship between international policy priorities and institutional requirements and the policies and structures in Bangladesh (UNFCCC, NAPA, CDM focal points etc)?	Who is responsible for formally coordinating policy and planning within the government for climate change activities? Who is responsible for coordinating climate change financing? What is the role, in operation, of the NCCC, MoE, line ministries, MoF, donor co-ordination agencies others? Do the CC coordinating bodies have the appropriate authority to lead and coordinate cross government policy? Do they have sufficient capacity to identify needs, prioritize plans and allocate financing? Who is responsible for reporting and overseeing the flow of funds? Is there sufficient capacity? To what extent will different stakeholders be involved in implementing and monitoring climate change actions (inside and outside government)?	What level of awareness of climate change is there amongst the general citizenry? Is there a political commitment? What are the incentives for government to lead the agenda? Do different parts of government (for instance MoE, NCCC and line ministries) have different incentives relating to climate change and its financing?	What inhibits climate change financing being coordinated across government? Are the actions of international agencies and funders promoting domestic ownership?

	Policy	Capacity	Incentives	Constraints
Alignment	To what extent is external financing provided in response to CC needs identified by government? Is there a commitment from donors or align their CC activities with government plans? Are donors implementing climate change activities outside government's policy priorities? What are the modalities for assistance used by donors for cc activities? What level of predictability is there to the public sources of climate change finance? Are there annual or longer 3-5 year commitments? Does the funding help to reduce financing gaps identified and costed in the national development strategy, sector or sub national strategies? To what extent are climate change finance instruments designed in ways that align with government preferences for financial instruments (eg budget support, programme based approaches etc) as well as existing aid policies?	Do donors have a forum where they can discuss and agree all their CC activities with government? Is there a mechanism for capturing and reporting on all CC financing provided by external partners? Do government and local agencies have the knowledge and capacity to design and apply for external CC funds? Are the GOB budget systems able to track climate financing (plan and execution)? Can government systems identify additionality? How will the climate change financing make use of procurement systems? If finance did not make use of procurement systems for reasons of quality – what methodology for assessment was used? What quality improvements will be supported to make use of the systems in future? How will compliance with national environmental and social safeguards be ensured?	What are the donor incentives to align with government systems? What are the government incentives to align cc financing with government systems? Do the governance arrangements for donor funded activities arrangements allow for use of following local systems: (i) programme design, (ii) programme implementation, (iii) financial management and (iv) monitoring and evaluation?	Are donors engaging in bilateral discussions outside the donor co-ordination mechanisms? Do the governance and administrative requirements of international CC funds inhibit alignment? What are the challenges in putting climate change within national plans and budgets? Are project implementation units being established and to what extent are they parallel to government systems? To what extent does earmarking of funding hinder alignment?

	Policy	Capacity	Incentives	Constraints
Harmonization	Is there, either formally or operationally, a specific commitment from external partners to co-ordinate funding for CC? Is this set out in (for instance) a Head of Missions statement/MoU? Is a single comprehensive programme and budget framework used for all sources of finance for climate change?	Do donors meet together regularly to co co-ordinate their activities? Is there an updated register of funded and planned activities? Is there a formal process for donor co-ordination and harmonisation of donor procedures for any of the following systems as part of the governance arrangements: (i) reporting, (ii) budgeting, (iii) financial management and (iv) procurement? Do donors have technical capacity on CC in country, or do they manage their CC financing from regional or international HQs? How do donors capture additionality?	What are the incentives from donors for and against harmonization? Are the incentives different at local and regional/international level? What are the government incentives for/against harmonization of donors? Are these incentives the same for all government/donor stakeholders?	What inhibits improved haromonisation of financing? Do international modalities of financing inhibit harmonisation in country?
Results	What results framework has been developed for measuring the impact of externally provided climate change finance? What is the relationship to other results frameworks for national climate change programming and overall development policy?	Is there a single responsible agency or a networks of agencies capable of monitoring results of CC activities funded by external donors? How will reporting of results take place?	What are the implications for national results frameworks resulting from international standards for measureable, reportable and verifiable actions (MRV) on climate change?	What constraints exist on capturing and reporting the results of CC funding?
Mutual Accountability	What level of predictability is there to the public sources of climate change finance? Are there annual or longer 3-5 year commitments? What are the donor commitments to predictability of financing?	To what extent are providers of climate change finance accountable to citizens in recipient countries?Are civil society, the media and other other bodies outside government capable of monitoring cc funding?	To what extent do governance arrangements allow for reporting to parliament and allow access to information for citizens with an interest in monitoring progress on climate change?	What constraints exist for developing effective mutual accountability for CC financing?

Annex 2.


BILATERALS
MULTI-DONOR TRUST FUNDS
ETF-IW (UK)
ICI (Germany)
Hatoyama Initiative (Japan)
IFCI (Australia)
Indonesia Fund
Amazon Fund
GCCA (EC)
World Bank
Adaptation Fund Board
UN Development Programme
Global Environment Facility
African Development Bank
European Investment Bank
Climate Investment Funds
FCPF
KPAF
CBFF
GEEREF
SCF
CTF
MDG-F (Spain)
UN-REDD
PPCR
SREP
FIP
SCCF
GEF Trust Fund
LDCF
SPA
UNFCCC and other UN bodies
Multilateral Development Banks
Bilateral
Multi-donor trust funds
Direct funding to projects
Funding to multilateral funds
MULTILATERALS

Annex 3: Projects funded from Climate Funds in the Case Study Countries

Country and Activity	Funding Agency	US$M	When	Focus
Bangladesh				
National Adaptation Programme of Action BAN	LDCF	$0.20	2003	Adaptation
Improving Kiln efficiency in the Brick Making Industry in Bangladesh	GEF Trust Fund - Climate Change focal area (GEF 4)	$3.00		Mitigation - general
Community Based Adaptation to Climate Change tht rough coastal aforestation	LDCF	$3.30	2008	Adaptation
Cambodia				
Programme of Action for Adaptation to Climate Change CAM	Least Developed Countries Fund	$0.20	2003	Adaptation
Reducing Greenhouse Gas Emissions through Improved Energy Efficiency in the Industrial Sector	GEF Trust Fund - Climate Change focal area (GEF 4)	$1.24		Mitigation - general
Vulnerability Assessment and Adaptation programme for Climate Change in the Coastal Zone of Cambodia Considering Livelihood Improvement and Ecosystems	Least Developed Countries Fund	$1.64	2010	Adaptation
TT-Pilot (GEF-4): Climate Change Related Technology Transfer for Cambodia: Using Agricultural Residue Biomass for Sustainable Energy Solutions	GEF Trust Fund - Climate Change focal area (GEF 4)	$1.69	2010	Mitigation - general
Promoting Climate-Resilient Water Management and Agricultural Practices	Least Developed Countries Fund	$1.85	2009	Adaptation
Indonesia				
Integrated Microhydro Development and Application Program (IMIDAP), Part I	GEF Trust Fund - Climate Change focal area (GEF 4)	$2.00		Mitigation - general
Wind Hybrid Power Generation (WHyPGen) Marketing Development Initiatives	GEF Trust Fund - Climate Change focal area (GEF 4)	$2.16	2010	Mitigation - general
CF: Promoting Energy Efficiency in the Industries through System Optimization and Energy Management Standards	GEF Trust Fund - Climate Change focal area (GEF 4)	$2.18		Mitigation - general
Micro-turbine Cogeneration Technology Application Project (MCTAP)	GEF Trust Fund - Climate Change focal area (GEF 4)	$2.59		Mitigation - general
Geothermal Power Generation Development Program	GEF Trust Fund - Climate Change focal area (GEF 4)	$4.00		Mitigation - general
UN-REDD Indonesia	UN-REDD Programme	$5.64	2009	Mitigation - REDD
Bus Rapid Transit and Pedestrian Improvements in Jakarta	GEF Trust Fund - Climate Change focal area (GEF 4)	$5.81		Mitigation - general
Bilateral package of support on forests and climate	International Forest Carbon Initiative	$6.50	2010	Mitigation - REDD
Biodiversity Conservation through Preparatory Measures for Avoided Deforestation (REDD) in the Merang Peat Forest Area	International Climate Initiative		2008	Mitigation - REDD
Strategic Support for the Autonomous Village Energy Programme 'Desa Mandiri Energi'	International Climate Initiative		2008	Mitigation - general
Philippines				
Chiller Energy Efficiency Project	GEF Trust Fund - Climate Change focal	$2.60		Mitigation - general
CF: Industrial Energy Efficiency	GEF Trust Fund - Climate Change focal area (GEF 4)	$3.17		Mitigation - general

Country and Activity	Funding Agency	US$M	When	Focus
CF: Industrial Energy Efficiency	GEF Trust Fund - Climate Change focal area (GEF 4)	$3.62		Mitigation - general
Chiller Energy Efficiency Project	GEF Trust Fund - Climate Change focal area (GEF 4)	$3.66		Mitigation - general
Climate Change Adaptation Project, Phase I	Special Climate Change Fund	$4.97	2008	Adaptation
Philippines Sustainable Energy Finance Program	GEF Trust Fund - Climate Change focal area (GEF 4)	$5.30		Mitigation - general
Adapting to Climate Change and Conserving Biological Diversity	International Climate Initiative		2009	Adaptation
Credit Programme for Climate- Friendly Refrigeration Equipment	International Climate Initiative		2008	Mitigation - general
Credit Programme for Energy Efficiency PHI	International Climate Initiative		2008	Mitigation - general
Vietnam				
Vietnam Clean Production and Energy Efficiency Project	GEF Trust Fund - Climate Change focal area (GEF 4)	$2.37		Mitigation - general
Phasing out Incandescent Lamps through Lighting MarketTransformation in Vietnam	GEF Trust Fund - Climate Change focal area (GEF 4)	$3.03		Mitigation - general
Climate-resilient InfrastructurePlanning and Coastal Zone Development	Special Climate Change Fund	$3.40	2009	Adaptation
UN-REDD Viet Nam Programme	UN-REDD Programme	$4.38	2009	Mitigation – REDD
Hanoi Urban Transport Development	GEF Trust Fund - Climate Change focal area (GEF 4)	$9.80		Mitigation - general
Development of a Strategy for the Deployment of Mini-Biogas Systems in Pig Production for a Distributed Energy Supply	International Climate Initiative		2009	Mitigation - general
Improving the Energy Policy Setting for Renewable Energies and Grid- Connected Pilot Wind Energy Project	International Climate Initiative		2008	Mitigation - general
Sustainable Development of Coastal Protected Forests in Bac Lieu Province	International Climate Initiative		2008	Adaptation

Information from http://www.climatefundsupdate.org/projects

Annex 4: Clean Development Mechanism Projects in Case Study Countries

Registered	Title	Country	Other Parties	Reductions
22 Dec 09	VN08-WWS-05, Methane Recovery and Biogas Utilization Project, Quang Tri Province, Vietnam	Viet Nam	Netherlands	40824
26 Jun 06	Song Muc Hydro Power Station Regeneration Project in Vietnam	Viet Nam	Japan	4306
21 Dec 09	AVN08-S-01, Methane Recovery and Biogas Utilization Project, Nghe An Province, Vietnam	Viet Nam	Netherlands	51460
21 Dec 09	VN08-WWS-04, Methane Recovery and Biogas Utilization Project, Lao Cai Province, Vietnam	Viet Nam	Netherlands	45353
20 Oct 09	Wastewater treatment with Anaerobic Digester at Viet Ma starch processing plant in Tay Ninh,Vietnam	Viet Nam	Japan	39814
20 Oct 09	Wastewater treatment with Anaerobic Digester at Truong Thinh starch processing plant in Tay Ninh, Vietnam.	Viet Nam	Japan	42389
21 Dec 09	AVN08-S-02, Methane Recovery and Biogas Utilization Project, Nghe An Province, Vietnam	Viet Nam	Netherlands	31011
22 Dec 09	VN08-WWS-03, Methane Recovery and Biogas Utilization Project, Yen Bai Province, Vietnam	Viet Nam	Netherlands	39618
p 05	Landfill Gas Extraction and Utilization at the Matuail landfill site, Dhaka, Bangladesh	Bangladesh		80000
13 Nov 09	AIN08-W-07, Methane Recovery in Wastewater Treatment, Sumatera Utara, Indonesia	Indonesia	Netherlands	10094
16 Jan 09	Methane Recovery in Wastewater Treatment, Project AIN07-W-04, Sumatera Utara, Indonesia	Indonesia	Netherlands	39218
02 Nov 07	PT. BUDI ACID JAYA Tapioca Starch Production Facilities Effluent Methane Extraction And On-site Power Generation Project in Lampung Province, Republic of Indonesia	Indonesia	Japan	271436
12 Nov 09	AIN08-W-03, Methane Recovery in Wastewater Treatment, Sumatera Utara, Indonesia	Indonesia	Netherlands	38424
13 Nov 09	AIN08-W-06, Methane Recovery in Wastewater Treatment, Sumatera Utara, Indonesia	Indonesia	Netherlands	19723
12 Apr 09	Multi Nitro Indonesia Nitrous Oxide Abatement Project	Indonesia	UK	80668
Rejected	Utilization of the heat content of tail gas at PT Cabot Indonesia, Cilegon	Indonesia		31524
18 Feb 10	ID08-WWP-11, Methane Recovery in Wastewater Treatment, Jambi, Indonesia	Indonesia	Netherlands	15743
04 Oct 09	BAJ Gunung Agung Factory tapioca starch wastewater biogas extraction and utilization project, Lampung Province, Republic of Indonesia	Indonesia	Japan	63114
12 Nov 09	Methane Recovery in Wastewater Treatment, Project AIN07-W-05, Sumatera Utara, Indonesia	Indonesia	Netherlands	31757
Review Requested	Bekasi Power CCPP project in Indonesia	Indonesia	UK	327443
Review Requested	Methane Recovery and Utilisation at PT Pinago Utama Sugihwaras Palm Oil Mill, Sumatera, Indonesia.	Indonesia	Denmark	54312
12 Nov 09	ID08-WWP-10, Methane Recovery in Wastewater Treatment, West Sumatera, Indonesia	Indonesia	Netherlands	21980
23 May 08	4MW Biomass Power Plants Using Waste Wood Chips & Sawdust in Central Java Province, Indonesia	Indonesia	Japan	14602
02 Jun 10	PFC Emission Reductions at PT. Indonesia Asahan Aluminium (PT. INALUM) Kuala Tanjung	Indonesia	Switzerland	78041
31 Aug 06	Methane Capture and Combustion from Swine Manure Treatment Project at PT Indotirta Suaka Bulan Farm in Indonesia	Indonesia	Japan	166000
20 May 07	PT Navigat Organic Energy Indonesia Integrated Solid Waste Management (GALFAD) Project in Bali, Indonesia	Indonesia	Japan	123423
23 Nov 07	Nagamas Biomass Cogeneration Project in Indonesia	Indonesia	Japan	77471
08 Jul 08	Gas turbine co-generation project in Indonesia	Indonesia	Japan	22796
02 Sep 08	Emission reductions through partial substitution of fossil fuel with alternative fuels in the 2 cement plants of PT Holcim Indonesia Tbk	Indonesia	Switzerland	516706
13 Nov 09	ID08-WWP-09, Methane Recovery in Wastewater Treatment, Aceh, Indonesia	Indonesia	Netherlands	16470

22 Feb 10	BAJ Pakuan Agung Factory tapioca starch wastewater biogas extraction and utilization project, Lampung Province, Republic of Indonesia	Indonesia	Japan	63114
03 Dec 08	Methane Recovery in Wastewater Treatment, Project AIN07-W-01, Sumatera Utara (North Sumatera), Indonesia	Indonesia	Netherlands	33390
26 Nov 09	ID08-WWP-14, Methane Recovery in Wastewater Treatment, Riau Province, Indonesia	Indonesia	Netherlands	47655

03 Sep 08	TTY Cambodia Biogas Project	Cambodia		50036
03 Dec 08	Methane fired power generation plant in Samrong Thom Animal Husbandry, Cambodia	Cambodia	Japan	5593

5 Mar 09	Biomass boiler project in the Philippines	Philippines	Japan	18529
01 Oct 06	Wastewater treatment using a Thermophilic Anaerobic Digestor at an ethanol plant in the Philippines	Philippines	Japan	95896
01 Mar 10	Secondary catalytic reduction of N2O emissions at ONPI nitric acid plant in Bacong, the Philippines	Philippines	Australia	39203
Rejected	Emission reductions through partial substitution of fossil fuel with alternative fuels in three cement plants of Holcim Philippines Inc.	Philippines	Switzerland	207628

Annex 5: Policy Statement on Integrating Climate Change Adaptation into Development Co-operation[20]

I. Context: climate change adaptation is a critical development issue

In 2006, OECD Development Co-operation Ministers and Heads of Agencies and OECD Environment Ministers met jointly to identify ways to address common challenges.

They agreed that climate change is a serious and long-term threat that has the potential to affect every part of the globe. Climate change is expected to disproportionately affect developing countries, especially the Least Developed Countries and Small Island Developing States, and poor and vulnerable people within those countries. In some countries and sectors, the impacts of climate change are already being felt and responses are urgently needed.

Climate change will exacerbate impacts such as droughts, floods, extreme weather events and sea level rise, which may contribute to food shortages, infrastructure damage and the degradation of natural resources upon which livelihoods are based. This may also jeopardise development gains achieved through development co-operation and make it more difficult to reach our development objectives including those agreed at the Millennium Summit that are described as the Millennium Development Goals. Adapting to the impacts of climate change is therefore critical. It is not just an environmental issue but also affects the economic and social dimensions of sustainable development.

"Development as usual", without consideration of climate risks and opportunities, will not allow us to face these challenges. Although a range of development activities contribute to reducing vulnerability to many climate change impacts, in some cases, development initiatives may increase vulnerability to climatic changes. For example, coastal zone development plans which fail to take into account sea level rise will put people, industries and basic infrastructure at risk and prove unsustainable in the long term. In addition, climate change considerations may raise the importance of supporting such sectors as agriculture, rural development and water resource management.

Climate change risks will need to be considered systematically in development planning at all levels in order to build in adaptation measures. There is an urgent need to work with Ministries of Planning and Finance in partner countries to integrate climate change considerations into National Development Plans including Poverty Reduction Strategies (PRSs), joint assistance strategies as well as associated programmes and projects in order to enhance climate resilience. The focus should be on those communities, sectors or geographical zones identified as most vulnerable to climate change.

Particular attention should also be paid to policies and projects with long-term consequences. These include, in particular, large-scale infrastructure projects, transport networks, major land use planning initiatives, urban development master plans and others, which play a key role in underpinning economic development and poverty reduction. Building in timely climate change adaptation measures will greatly enhance the benefits and sustainability of many development initiatives.

We recognise the United Nations Framework Convention on Climate Change (UNFCCC) as the political forum to agree international action on climate change. Fully meeting the challenges of climate change will require action at many levels and through many channels. The following commitments are based on those set out in the 2006 *OECD Declaration on Integrating Climate Change Adaptation into Development Co-operation* by laying out specific priorities on how we can support our developing country partners in their efforts to reduce their vulnerability to climate variability and

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[20] Adopted by the OECD Development Assistance Committee and the Environment Policy Committee at the joint high-level meeting in Paris on 28-29 May 2009.

climate change and to identify and prioritise adaptation responses.

II. Priorities and commitments

Our support to developing countries to address the new challenges of climate change adaptation will be guided by the commitments of the Monterrey Consensus, the *Paris Declaration on Aid Effectiveness* and the Accra Agenda for Action.

Country ownership is key. Consequently our assistance for mainstreaming climate change adaptation into development co-operation will be aligned to partner countries' long-term visions and their development plans and programmes. The majority of Least Developed Country Parties to the UNFCCC have or are developing National Adaptation Programmes of Action (NAPAs). These and similar plans and strategies developed by other countries can provide a useful starting point.

To the maximum extent possible we will seek to use our partners' own systems and harmonise our approaches. Our assistance should accordingly be administered by the relevant national authorities in partner countries. It will be accompanied by capacity development support to enable our partners, at various levels, to lead and manage all aspects of climate change adaptation.

We will use a variety of aid modalities, considering each country's situation, and will make the maximum use of programmatic instruments such as programme-based and sector-wide approaches.

We will provide our assistance in an efficient and effective manner in line with the principles of Aid Effectiveness and we will mobilise private sector support.

We will ensure that climate risks are adequately taken into account in the programmes which our agencies support and we will work to harmonise our approaches towards addressing climate risks at this level.

In addressing adaptation issues, we will pay specific attention to those with greater vulnerability across regions and countries:

- between geographical areas: those areas most at risk to the impacts of climate change need special attention;
- between countries: Least Developed Countries, Small Island Developing States and African states affected by drought, floods and desertification are particularly vulnerable and need special attention;
- within each country: particularly vulnerable communities and groups, including women, children and the elderly, need special attention.

Recognising that there will always be uncertainties regarding long-term climatic trends and their impact, we will seek, whenever possible, to identify and implement win- win adaptation-development solutions.

Similarly, we will explore all the possibilities for synergies between climate change adaptation and mitigation, notably in sectors such as energy, agriculture and forestry.

Improved access to clean energy, for example, can support poverty reduction and adaptation to climate change as well as climate change mitigation. We will also enhance synergies with the other Rio Conventions on Biological Diversity and Desertification to identify areas where multiple benefits can be achieved.

In addition, we will reinforce the links between climate change adaptation and disaster risk reduction and management, notably in the context of the implementation the Hyogo Framework for Action.

The *Policy Guidance on Integrating Climate Change into Development Co-operation* which we are endorsing today will provide a key reference for our Development Co- operation and Environment Ministries and Agencies in their co-operation with developing country partners in support of adaptation to climate change. This will include maximising synergies and complementarities with the various mechanisms established under the framework of UNFCCC. The policy guidance will provide an important input to the Fifteenth Conference of the Parties to the UNFCCC to be held in Copenhagen in December 2009.

We will make special efforts to share experience and monitor progress towards implementation of the policy guidance and the results achieved, including through the OECD's Peer Review mechanisms.