European Union Climate Funding for Developing Countries in 2013

EU2013.LT

European Commission

This brochure has been written by the European Commission and the Lithuanian Presidency of the Council of the EU, with contributions from the EU and its Member States of specific examples of initiatives and activities implemented in 2013.

The facts and figures are based on information provided by the services of the European Commission and Member States.

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The situation in 2013

The EU and its Member States have a strong track record of delivering climate finance to developing countries. Together they are the world's biggest aid donor, collectively providing more than half of global Official Development Assistance (ODA).

Having pledged €7.2 billion as part of the US $30 billion 'fast start finance' commitment by developed countries for 2010-2012, the EU and its Member States actually provided €7.34 billion, thereby over-fulfilling their commitment despite the difficult economic situation and tight budgetary constraints.

At the Doha climate change conference **in December 2012, the EU and a number of Member States announced voluntary climate finance contributions to developing countries adding up to €5.5 billion** from their respective financial provisions. An initial assessment at mid-October shows that **this amount is on track to be delivered in 2013**.

In addition to adaptation funding provided to developing countries through bilateral channels, in 2013 several EU Member States have also pledged a total of around US $170 million to support adaptation actions through the Least Developed Countries Fund, the Special Climate Change Fund and the Adaptation Fund. Furthermore, it is expected that new initiatives will be announced to support innovative efforts by developing countries to address deforestation and forest degradation, with a view to further demonstrating the potential of REDD+ for sustainable mitigation and low-emission development.

Ensuring transparency

The EU and its Member States see transparency in climate finance flows as key for building trust and in 2013 adopted an enhanced reporting framework on climate finance. The new EU Monitoring Mechanism provides for annual reporting of up-to-date information on financial support and technology transfer activities to developing countries based on the best data available and it is being implemented from 2013.

Under the mechanism, the **EU Member States will report** to the European Commission **by September 2014 detailed information on the 2013 climate finance.** An overview on the EU and its Member States climate finance will be made available thereafter.

Climate finance in perspective

EU climate finance continues to flow

European climate finance continues to flow to developing countries even though the fast start finance period ended in 2012. The EU and its Member States have continued to work together with developing country partners to identify priorities and projects that can make a difference, and where the effectiveness of climate aid can be maximised.

This work plays a central role in the efforts of the EU and its Member States to scale up the mobilisation of climate finance and contribute to developed countries' goal to jointly mobilise US $100 billion per year by 2020 from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance, in the context of meaningful mitigation actions and transparency on implementation. Most importantly, these efforts must also be seen in terms of the general shift towards a low-emission and climate-resilient development path.

It is increasingly clear that the most sustainable and effective strategies for climate finance will draw on a wide variety of sources. Scaling up different forms of financial support will be essential to build low-carbon and climate-resilient economies in developing countries in the long term. Besides public finance, private finance will also play a key role, and the EU and its Member States are working constructively to expand existing public interventions and develop new ones that mobilise more private sector finance for climate action.

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A vision for scaling up climate finance

The EU and its Member States are committed to **scaling up the mobilisation of climate finance by 2020.** In their **September 2013 submission to the UNFCCC**, the EU and its Member States provided information on their strategies and approaches for mobilising scaled-up climate finance as a contribution towards the developed countries' commitment for 2020.

The EU and its Member States recognise that this will be an iterative process, meaning that scaling up climate finance will have to go hand-in-hand with solid preparatory work in both developed and developing countries for scaled-up, effective action on the ground and for improving enabling environments.

Ambitious domestic climate strategies and policies in developing countries, both on mitigation and adaptation, as well as conductive regulatory frameworks will stimulate climate action and the financing of viable projects. It is therefore essential that national governments in developing countries take the lead in designing and implementing climate policies as a basis for enhanced action and support.

The EU and its Member States believe that the most sustainable and effective strategies for mobilising scaled-up climate finance will draw on a wide variety of sources that target different activities and/or market failures. This variety of sources can increase the overall predictability of climate finance.

The EU and its Member States continue to deliver climate finance...

- Provision of climate finance continues after the end of the fast start finance period.
- Scaled-up climate finance in the period to 2020 will come from a variety of sources.
- Sustainable development and climate action go hand: climate measures need to be integrated into development strategies to be sustainable and effective.

Working together on climate finance and development assistance

Enhancing synergies

As climate issues become increasingly integrated into broader development strategies, achieving synergies between development finance and climate action is increasingly important. Actions to mitigate climate change and adapt to its negative impacts often support efforts to reach other Millennium Development Goals (MDG) and vice-versa. Supporting climate-resilient development and access to sustainable energy are two such examples.

The EU and its Member States mobilise climate finance as part of a comprehensive and integrated approach to financing for different global policy goals. They support efforts to ensure the coherence of, and coordination between, the different international finance discussions.

A number of EU Member States are making plans to further mainstream climate considerations into wider development assistance programmes.

Climate change objectives will be fully integrated into the EU budget for **2014 to 2020** through an ambitious series of measures and targets. These include an overarching target that **at least 20 % of the overall EU budget shall be spent on climate-relevant activities**. This target will also apply to EU external action instruments and will include the country and regional development cooperation strategies agreed between the EU and its partners.

Synergies are important…

- Achieving synergies between development assistance and climate action is increasingly important.
- Mainstreaming climate objectives into public and private investments is crucial to increase low-carbon and climate-resilient actions.

In particular, the European Commission has proposed for the period 2014-2020 under its Development Cooperation Instrument (DCI), a specific programme for Public Goods and Challenges that will allocate significant funding for climate change and environmental objectives. One of the overall objectives of the programme will be to support the environmental sustainability and climate change dimension of development processes at all levels, and to support the transformation towards a green economy in order to ensure inclusive and sustainable growth for human development within the limits of the planetary boundaries.

Using public climate finance to support the most vulnerable developing countries

The **Global Climate Change Alliance (GCCA)** is an EU initiative to strengthen dialogue and cooperation on climate change with the developing countries that are most vulnerable to climate change, in particular Least Developed Countries and Small Island Developing States.

In 2013 the European Commission has **committed an additional €47 million** for financing nine new GCCA interventions in Chad, Comoros, Djibouti, Myanmar, Haiti, Malawi, Mauritania, Sao Tome e Principe and Tanzania. The GCCA portfolio has increased from 4 pilot projects in 2008 to supporting **more than 45 national and regional programmes across 35 countries and 8 regions and sub regions**, with a total budget envelope of **close to €300 million**.

All the programmes aim at strengthening countries' resilience to climate change, often combined with the objective of integrating climate change into national development planning (for example in Sao Tome e Principe, Comoros and Myanmar).

Leveraging climate finance

Since 2007, the European Commission together with the EU Member States has established a number of **EU Blending Facilities** that combine grant funding with loans and cover different regions. These Facilities are designed to increase the leverage effect of external assistance and underpin achievement of the EU's external priorities, while ensuring coherence with EU strategies and policies.

In 2010 Climate Change Windows were established in all Blending Facilities to improve the tracking and overall visibility of climate actions within these investment facilities. Climate Change Windows also aim to improve project design, so that low carbon and climate resilience considerations are incorporated in strategic infrastructure areas such as transport, energy and environment.

Both public and private climate finance is needed...

- Public climate finance is needed to support in particular the most vulnerable.
- Leveraging private climate finance is increasingly important.
- International financial institutions play a key role in mobilising climate finance.

Since 2007 about €480 million in public grants has been committed under the Blending Facilities to more than 200 climate-relevant initiatives. These include investments in infrastructure projects as well as support to the private sector, particularly small and medium sized enterprises. This has leveraged €6 billion of loans from European public finance institutions and regional development banks. This corresponds to **total project financing of more than €14 billion benefiting both low and middle income countries**.

Mobilising finance for climate action through international financial institutions

The European Investment Bank (EIB), owned by the EU Member States, is **one of the largest multilateral providers** of climate finance among the international financial institutions. Between 2008 and 2012, the EIB invested almost €80 billion in climate change mitigation and adaptation projects in Europe and in emerging and developing countries outside Europe. Support to climate projects outside Europe has expanded considerably, particularly since 2010. EIB funding acts as a catalyst to mobilise finance for climate action, encouraging others to match its long-term investment.

In 2013, the EIB is expected to **meet its target of allocating 25 % of its planned total lending of €68 billion to climate action**. This year has in particular seen increased demand for investment in energy efficiency, renewable energy, resource management and adaptation across all regions outside the EU. Much of the EIB's climate action lending has been in favour of renewable energy, energy efficiency and sustainable transport projects in Asia, Latin America and certain European countries that hope to join the EU. Since 2011 there has also been an acceleration in climate operations in countries within the Eastern and Southern Neighbourhoods, and in Africa, the Caribbean and the Pacific.

New tools to address a variety of climate needs …

Climate change can be controlled only if developed and developing countries work closely together to address both mitigation and adaptation issues. Collaboration is key.

Public climate finance will continue to play a key role. At the same time, achieving real change and results will also require the use of a variety of means.

The EU and its Member States are already mobilising various sources, including through interactions with international financial institutions, to ensure efficient and effective mobilisation of climate finance, along with approaches to mobilise private sector finance for climate measures.

Below is a small selection of examples outlining the diversity of approaches and projects undertaken recently, especially with developing countries which are particularly vulnerable to an increasingly unpredictable climate.

Supporting lower carbon emissions

Mitigation actions remain essential in order to limit temperature increase to below 2 °C and also to promote a path to low-carbon development. The latest IPCC report highlights the dangers and changes in all components of the climate system that continued emissions of greenhouse gases will cause. It is important that growth and development challenges faced by developing countries avoid locking in costly and environmentally damaging technologies and infrastructure.

CASE STUDY

Facility for supporting mitigation actions

As announced at the 2012 climate negotiations in Doha, the Nationally Appropriate Mitigation Actions (NAMA) Facility was launched by the UK Department of Energy and Climate Change and the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. The **UK** has committed £25 million to the NAMA Facility with **Germany** committing another €40 million to co-finance the concrete implementation of transformational NAMAs in developing countries and emerging economies.

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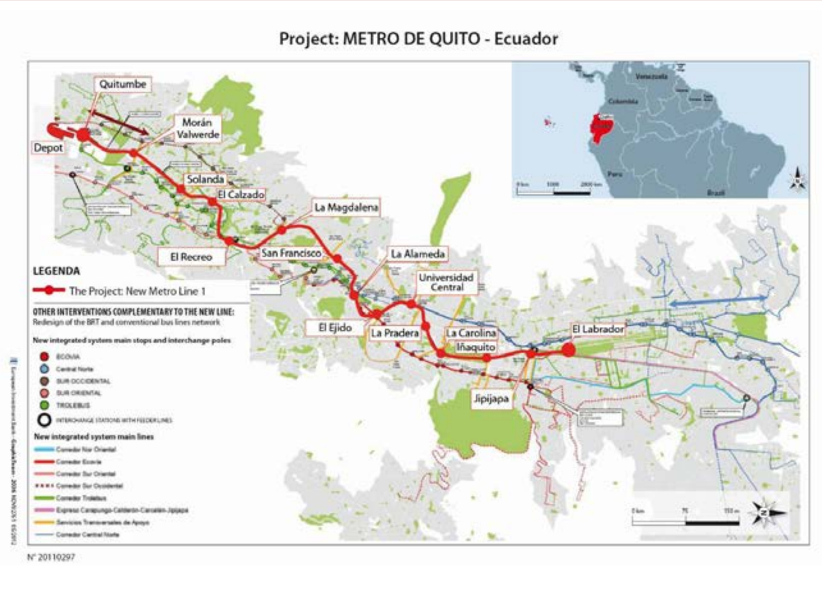
This Facility will focus on those parts of the projects that are challenging and aspirational, and that are aiming to do much more than business as usual to mitigate the impacts of climate change. In a first call for NAMA Support Project outlines, which closed in September 2013, partner countries and delivery organizations from around the world were invited to submit proposals. A total of 47 bids were submitted to the competitive selection process, which will ensure that the best and most ambitious projects from around the world go forwards. The results of the first call will be communicated during the COP 19 in Warsaw. Information will be available on the webpage of the NAMA Facility (www.nama-facility.org).

CASE STUDY

Shifting to climate friendly transport in Quito, Ecuador



With major traffic congestion and an increasing demand for public transportation, the government of Ecuador and the municipality of Quito have decided to construct the capital city's first metro line, with 15 stations along a 22.5 km long north and south route. The **European Investment Bank** (EIB) is supporting this ambitious project with a loan of €200 million.

Major economic and environmental benefits are expected. The economic benefits are expected to outweigh initial investment costs twofold, with savings generated principally from reduced travel times and vehicle operating costs. Fuel consumption and greenhouse gas emissions are expected to decline thanks to an expected shift from private vehicles to metro. This switch in transport modes in the city will contribute to a significant improvement in air quality, and estimated savings of a remarkable 30 000 tonnes of CO_2 emissions that would otherwise be produced by motorised vehicles. The metro is scheduled for completion in 2016.

CASE STUDY

Catalysing climate smart investment by the private sector through innovation

The partnership between the International Finance Corporation (IFC) and the Austrian Ministry of Finance has been built on a platform of innovation leading to replication. With planned €2.5 million, **Austria**'s contribution has enabled IFC to develop, test, and scale up ground-breaking approaches to low carbon climate resilient development, and increase access to reliable and clean energy so as to support poverty reduction and sustainable economic growth.

In particular, the support from Austria will focus on low carbon solutions to expanding access to basic energy and water services (e.g. solar water pumps, UV water filtration, solar lanterns – replacing kerosene and charcoal fuels), and supporting innovative business models to enable IFC and other IFIs to invest at scale in sectors where climate mitigation opportunities have not been fully developed. This includes areas where technology and approaches with substantial carbon emissions benefits are demonstrated, but large-scale private sector adoption has been lagging due to a variety of impediments to investment. The project's planned implementation is from 2013 to 2016 with impact results expected by 2018.

CASE STUDY
Improving energy efficiency in Vietnam

As a fast growing economy Vietnam's demand for electricity is expected to triple from 2010 to 2020 with associated increase in CO_2 emissions that are projected to double by 2020 and triple by 2030. Within a project starting in 2013 which is to be implemented by 2016, **Denmark** will contribute to Vietnam's new energy efficiency standards for new buildings based on Danish experiences and achievements over the last four decades. Reduction in CO_2 emissions of 0.5 Mt/year is roughly expected from the Danish-Vietnamese cooperation in this area. The project is part of a larger energy sector program supported by Denmark. The total budget for the Low Carbon Transition Project in the energy efficiency sector in Vietnam is DKK 65 million (€ 8.6 million), of which the building component constitutes approximately 15%. The remaining budget is for energy efficiency in the small and medium scale industries with a focus on bricks, ceramics and food processing industries.

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Acting now to prepare the most vulnerable for the adaptation challenge

The adaptation challenge is unevenly distributed among countries and regions of the world. Countries most vulnerable and which face the greatest challenges are often those which have contributed least to global warming. The EU and its Member States have strengthened their support to adaptation, helping to protect economies and livelihoods where it is most needed, through a variety of instruments and tools.

CASE STUDY
Adapting to climate change in Vietnam

Jointly financed by Germany and Australia, the programme supports the national government and local authorities of five provinces in coastal governance including mainstreaming of climate change adaptation into development planning. The programme further offers practical solutions to a number of environmental hazards for the coastal ecosystems in the provinces. Activities are implemented in the fields of sustainable livelihoods, environmental awareness and area management. **Germany** is contributing to this program with up to €29,5 million in technical and financial cooperation.

At provincial level, interventions for the protection of coast areas include mangrove rehabilitation or afforestation measures, as well as technology transfers, like the introduction of low cost wave breakers and sediment traps. The national component focuses on the improvement of the inter-sectorial coordination, mechanisms and capacities to ensure a coherent management of coastal ecosystems. The experiences made are exchanged among the provinces and fed into a participatory and evidence-based policy development. Hence, good practises are scaled up nationwide through the relevant ministries.

© GIZ, Integrated Coastal Management for Adapting to Climate Change in Mekong Provinces / Climate Change and Coastal Ecosystems (ICMP/CCCEP

CASE STUDY
Risk Capacity for Africa

The African Risk Capacity (ARC) is a specialised agency of the African Union designed to assist member states to resist and recover from the ravages of natural disasters through a ground breaking index-based weather insurance mechanism. Timely and reliable funds will provide the resources necessary for participating governments to respond to food insecure populations with peer-reviewed contingency plans.

The aim of ARC Agency is to catalyse extreme weather risk management system for Africa and provide the capacity building support required to implement such a system. The Agency will establish a financial affiliate called ARC Insurance Company Limited, which will offer insurance coverage to governments for agricultural seasons beginning in 2014.

ARC was established in November 2012, with support from the UN World Food Programme, the Rockefeller Foundation, UK Department for International Development, Swedish International Development Cooperation Agency, Swiss Agency for Development and Cooperation and the International Fund for Agricultural Development. **Sweden** is contributing US $3.13 million to ARC Agency design phase (29% of total funding) and €50 million guarantee over 10 years to ARC Insurance Company Ltd.

© African Risk Capacity (ARC)

CASE STUDY
Support to the climate change response strategy in Lesotho

The project will mainstream climate change into Lesotho's National Strategic Development Plan (NSDP) for 2012-2016 and contribute to Lesotho's efforts to address poverty alleviation and sustainable development. It will help to frame the policy and institutional framework required to reverse environmental degradation through the finalisation of a national climate change policy and strategy and a national sustainable energy strategy, and to support their implementation. Taking action in relation to environment and climate change is one of the five strategic aims of the NSDP. Concerns with regard to climate change notably relate to its potential impacts on agriculture, water availability, soil erosion, mountain livelihoods, biodiversity and disaster risks. Funding is also linked to the preparation of a national climate change adaptation and mitigation strategy and a national renewable energy strategy. The project is being funded by a grant of €4 million provided by **Ireland** through the GCCA.

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CASE STUDY

Sustainable management of water resources in Ethiopia

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In 2013, the **Czech Republic** has been financing three adaptation projects in Ethiopia with a contribution of around €1.16 million.

The first project focuses on sustainable usage of natural resources and assistance to small-scale farmers. By tackling erosion and deforestation in degraded areas, as well as introduction of the alternative livelihoods and sources of energy among the locals, the direct dependence on natural resources would be eventually decreased. At the same time the project aims at introducing sustainable management of the watershed through a participatory integrated approach.

Within a second project, the aim is to establish a sustainable system of drinking water supply in small towns of Sidama Zone. It is intended to strengthen the potential social and economic development within the area by improving the potable water supply and the sanitation, and by improving the maintenance of water sources as well as of the management of the potable water supply within the zone.

A third project targets capacity building in environmental geology - mapping of geo-risk including hydrogeological condition in Dila and Hosaina areas. Main areas of concern are soil erosion and sustainability of water sources and other natural resources. The project should support Ethiopian government in its efforts to improve living conditions of Ethiopian citizens and organizations, with special attention being paid to their ability to reduce poverty with their own powers.

CASE STUDY

Regional cooperation for adaptation to climate change in the South Pacific

In 2013, the French Development Agency (Agence Française de Développement - AFD) has co-financed with the French Global Environment Facility (Fonds Français pour l'Environnement Mondial - FFEM) the RESCCUE project on regional cooperation in the South Pacific. This project focuses on the restoration of ecosystem services and adaptation to climate change, and it is implemented in partnership with the general secretariat of the South Pacific Community in New Caledonia The project aims to increase the resilience to climate change of the marine and terrestrial ecosystems in the Pacific by strengthening the capacity of the local communities and by delivering payments for maintaining the ecosystem services in sites representative of the social, economic, ecologic, geographical and cultural diversity of the Pacific in Fiji, New Caledonia, French Polynesia and Vanuatu. In this way, the project will contribute to the preservation of the exceptional biodiversity of the region. The project will last for five years and through AFD, **France** is providing € 4,5 million.

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Protecting our natural resources

Preservation of the natural environment is essential for maintaining community sustainability. Sectors like agriculture and forestry are often cross-cutting, with both adaptation and mitigation possibilities. Mainstreaming climate policy into development policies, and public and private investment, is crucial to increase awareness and cooperation among the relevant partners, and help achieve an integrated approach towards moving to a low carbon and climate resilient economy.

CASE STUDY

Helping small farmers in Kenya and South Sudan

In 2013 **Slovak Republic** is supporting small farmers in Africa in adapting to climate change through two projects.

The first focuses on increasing the food security of small farmers by spreading practical knowledge through seven vocational schools in Nakuru County in Kenya, covering a wide variety of food and animal husbandry established matters.. Up to 10 000 small farmers will be able to use the seven centres. The second project is focused on strengthening agricultural livelihood techniques of small farmers around the city of Wau in South Sudan, by way of extending both knowledge and equipment available in an area where farmers still use very simple and inefficient farming methods. The project will also focus on slowing deforestation by increasing the awareness of environmental protection and tree planting by farmers themselves.

These projects, which will run until 2015, have been implemented by the NGO People in Peril Association and co-financed by the Slovak Aid by providing a total contribution of €0.38 million.

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CASE STUDY

Supporting sustainable forest management in Nepal

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The **UK** will provide GBP 20 million to support the Nepal Multi-stakeholder Forestry. The programme will increase the forestry sector's contribution to Nepal's GDP, reduce the climate vulnerability of over half a million households and contribute towards lifting 1.7 million poor and disadvantaged people out of poverty. The programme helps communities manage their forests sustainably, creating jobs and undertaking climate change adaptation activities. The programme, expected to be completed in 2015, works by helping local communities form forest user groups that ensure forest resources are shared equitably and inclusively so that the poorest and most excluded groups gain most from the programme.

CASE STUDY

Mainstreaming climate change into development planning in Myanmar

Climate change and vulnerability to extreme weather events represent a major challenge to Myanmar. The coastal region, with a total population of about 12.6 Million (approximately 22% of the total national population) and major economic activities such as farming and fisheries, will be highly threatened if there are no adaptation activities and further strengthening of disaster risk reduction..

The potential impacts of climate change and the current low state of preparedness necessitates an overarching response. The Government recognises that a national climate change strategy and action plan is required, but not yet prepared. Through the **Global Climate Change Alliance** (**GCCA**), the EU is contributing €4 million to the Myanmar Climate Change Alliance. This programme, launched in 2013, will ultimately provide the expert advice, technical and administrative support for the strategy development. The strategy will define the overarching framework necessary to mainstream climate change into the Myanmar policy development and reform agenda. The programme will also assist Myanmar to identify the measures needed to access current and future climate finance. As climate change is a cross-cutting issue, line ministries and agencies in climate sensitive sectors will also be involved.

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