European Union fast start funding for developing countries

2011 progress report

PL2011.eu

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This brochure has been written by the European Commission and the Polish Presidency with contributions from Member States of specific examples of fast start funding implementation in 2011.

The facts and figures are based on the 2011 EU Fast Start Finance report endorsed by the Council of EU Finance Ministers on 8 November 2011.

Introduction

Since well before the Copenhagen conference in 2009 the European Union has been cooperating intensively with its developing country partners to increase the level of climate financing it provides. The EU's Official Development Assistance (ODA) for reducing greenhouse gas emissions in developing countries exceeded $5bn in 2008, accounting for more than 60% of global ODA for climate mitigation.


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In launching the fast start finance initiative, Copenhagen underlined the urgent need for the developed world to do more and faster. Since then the EU has been actively engaging with a wide range of partners to seize the opportunities and address the challenges that fast start raises. The EU has done so through bilateral dialogues, specialist and regional meetings and dedicated events, including the EU Fast Start Forum and UNFCCC-organised fast start events held in Bonn in June 2011. The aim has been to bring together EU donors, recipient countries, NGOs and academia for frank reflection with maximum transparency.

The EU remains the largest contributor of climate finance flows to developing countries and the world's leading provider of ODA, responsible for almost 60% of all ODA in 2010. Climate issues have become increasingly integrated into broader development strategies. This means that actions to mitigate and adapt to the negative impacts of climate change often support efforts to reach other Millennium Development Goals and vice-versa. Action to support climate resilient development and access to energy are two such examples.

The swift and effective implementation of EU fast start finance is enabling developing countries:

- To protect themselves better against severe weather events and other adverse effects of climate change. This includes promoting national adaptation planning as well as funding for science and analysis to support decision making;
- To grow and develop on a sustainable low carbon path, including through support for projects on low carbon energy, energy efficiency and low carbon transport;
- To protect forests while also supporting economic development; and
- To prepare for the effective and efficient implementation of a new climate regime and scaled-up financial flows in the longer term.

The experience gained with the fast start initiative, the lessons learnt and the areas for improvement identified are of great value in preparing the ground for delivering medium- and long-term climate finance.

This progress report provides an overview of the EU's fast start actions and achievements to date.

Lessons learnt and areas for improvement

Two examples of valuable lessons learnt so far are the need to improve dialogue between different national and international stakeholders and the need to step up financing for adaptation by replicating successful approaches across regions.

The lack of comparable information between donors and the lack of baselines is a further insight gained. It highlights the need to strengthen the international community's capacities and knowledge in view of measuring, reporting and verifying climate finance in the longer term. This will benefit recipients and donors alike.

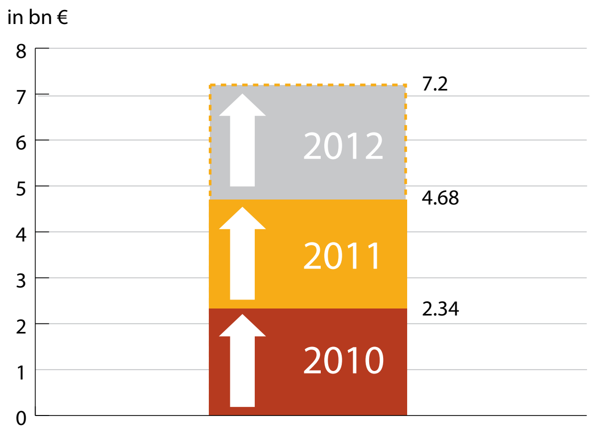
The EU is delivering

Despite the difficult economic situation and tight budgetary constraints, the EU has so far mobilised €2.34 bn in fast start finance in 2011. This figure is preliminary as the accounting year for many Member States has not been concluded yet. Together with the €2.34 bn provided in 2010, this brings the EU's fast start contribution to date to €4.68 bn, or 65% of the overall pledge for 2010-12. The EU remains on track to meet its commitment of €7.2 bn for the full period.

While fast start contributions are voluntary and not based on any distribution key, all 27 Member States and the European Commission are contributing to this effort. Fast start finance is provided through the budgets of each Member State and the European Commission and allocated on the basis of their own decisions.

In addition to fast start finance, the EU will continue to make available other funds in support of climate action in developing countries during 2010-12, for instance through the European Investment Bank (EIB). This financing also helps leverage additional investments, including from the private sector.

EU's fast start contribution

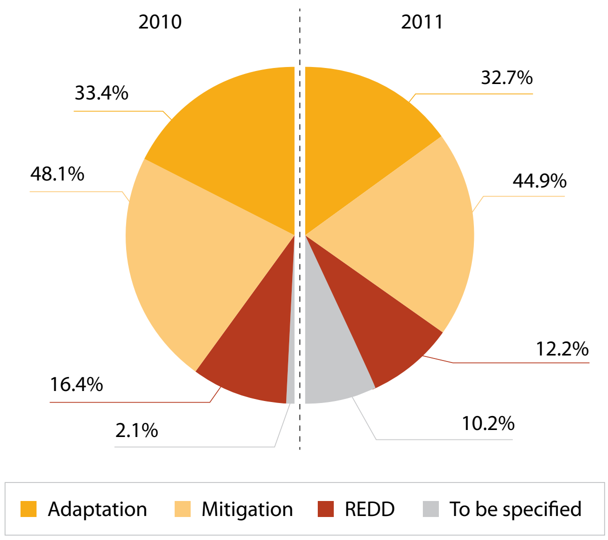


Balanced funding between priorities

EU fast start funding is supporting developing countries in the fields of adaptation, mitigation and REDD+ (reducing emissions from deforestation and forest degradation). It includes activities related to capacity building and the development and transfer of technology. EU fast start funding is helping developing countries both to implement immediate, urgent action to tackle climate change and to prepare effective adaptation and mitigation actions for the medium and long term.

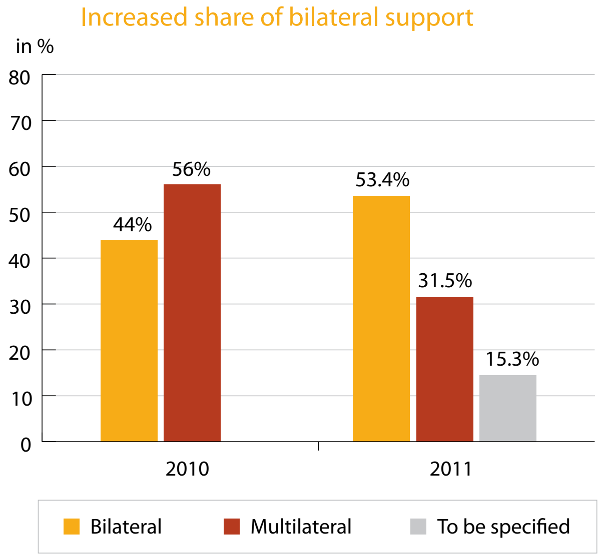
Achieving the goal of balanced allocation is work in progress. Given the many adaptation, mitigation and REDD+ initiatives that exist, considerable coordination among donors and recipients is required to prevent duplication. As many of the programmes and initiatives sponsored by EU fast start finance are multi-purpose in nature, and may contribute to more than one of these three broad objectives, 10% of the 2011 funding is not strictly classified at present.

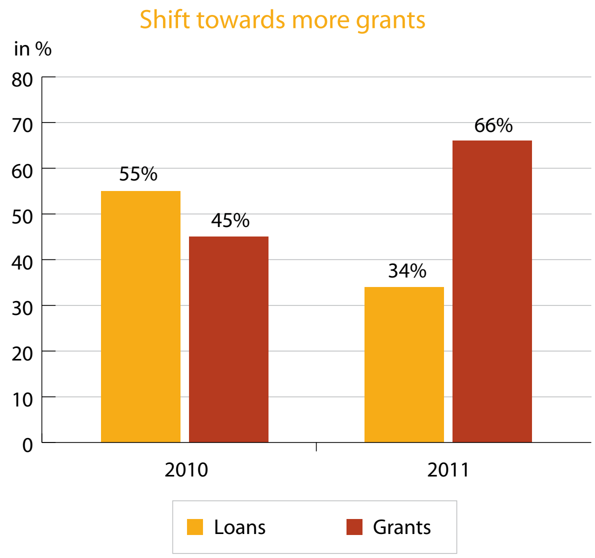
Allocation of EU fast start funding 2010/2011



Using existing delivery channels

To be effective and to enable the fastest possible deployment of funds, the EU and its Member States are using existing bilateral and multilateral delivery channels where possible, as well as reinforcing existing initiatives. These channels include multilateral and regional development and financial institutions as well as national governmental and non-governmental agencies. Using these facilitates access as developing countries are able to build on their existing working relationships with agencies and institutions.





Combining grants and loans

Grants and loans both have important roles to play in climate finance. Loans help to maximise the amount of finance available by leveraging private investment. The EU's climate loans are offered on highly concessional terms that include a major grant element of up to 75%. There is demand for such loans, particularly for mitigation.

EU loans are consistent with the Debt Sustainability Framework, meaning that they are not made available to countries which cannot afford to repay them.

Respecting aid principles

EU fast start finance is deployed with full respect for recipient countries' national ownership of projects and primary responsibility for their own development. The agreed principles of aid effectiveness established by the Rome and Paris Declarations and the Accra Agenda for Action are also fully respected.

The EU remains committed to ensuring that fast start funding and other climate finance does not undermine or jeopardise the fight against poverty and continued progress towards reaching the Millennium Development Goals.

Strengthening resilience in the most vulnerable countries

In 2011 the EU has mobilised €763 million in fast start funding to support adaptation activities in developing countries.

The EU strives to allocate fast start funding for adaptation where it is most needed and thus gives priority to the most vulnerable developing countries – least developed countries (LDCs), small island developing states (SIDS) and many African countries. These are the most exposed to the negative effects of climate change but often have the fewest means to cope.

It is crucial to strengthen these countries' resilience to climate change. EU funding is helping them protect their infrastructure, industry and agriculture from changing weather patterns and rising sea levels. It also helps to support investment in water management, drought-resistant crops, disaster risk reduction, improved scientific analysis for decision making, and national planning.

The EU is giving particular attention to increasing the capacity of recipient countries to absorb adaptation funding, to strengthening national ownership and to verifying the viability and added value of initiatives in the longer term. Identifying large scale adaptation projects over which the recipient authorities can have national ownership is a particular challenge because adaptation projects tend to be community-based and relatively small scale. Fortunately the situation is improving, not least due to the replication of successful approaches across regions.

Close dialogue and cooperation with recipient countries in assessing their needs and setting priorities are key for the EU. Donors' local or regional representations in developing countries, and the local offices of the multilateral agencies involved, play an important role as a first contact point.

Case example

The Global Climate Change Alliance

The Global Climate Change Alliance (GCCA) is an initiative set up by the European Commission to strengthen dialogue and cooperation on climate change between the European Union and the developing countries that are most vulnerable, in particular the least developed countries (LDCs) and small island developing states (SIDS). It was launched in 2007.

Through the GCCA the EU provides technical and financial support in five priority areas: mainstreaming climate change into poverty reduction strategies; adaptation; reducing emissions from deforestation and forest degradation (REDD+); enhancing participation in the Clean Development Mechanism; and disaster risk reduction.

Since 2008 some €201 million in financial assistance has been committed through the GCCA by Ireland, Sweden, Estonia, Cyprus, the Czech Republic and the European Commission. This includes **€74 million in fast start finance** committed by **Ireland, Estonia, Cyprus and the European Commission.**

By the end of 2011, the GCCA will have national programmes in 25 countries in the following areas:

- Climate change mainstreaming: Bhutan, Cambodia, Ethiopia, Laos, Mozambique, Nepal, Seychelles, Solomon Islands
- Adaptation in climate sensitive sectors like agriculture (Uganda), coastal zone management (Gambia, Guyana, Senegal), land (Rwanda), and water (Belize, Samoa) or with a focus on the national level (Vanuatu) or the local level (Tanzania)
- Forestry and REDD+: Mali, Benin, Sierra Leone, Democratic Republic of Congo
- Clean energy: Mauritius
- Adaptation or mitigation more generally: Bangladesh, Maldives.

In addition the GCCA is supporting regional interventions in Africa, Asia, the Caribbean and the Pacific through regional bodies.

Using scientific research to increase resilience to climate change impacts

The UK is supporting the Consultative Group on International Agricultural Research (CGIAR) to develop new farming practices that could help millions of people in the world's poorest countries cope with the effects of climate change. The British Government is contributing €58.5 million to the CGIAR research centres in 2011/12, including **€17.6 million in 2011-12 fast start finance**.

The CGIAR research programmes will develop new crop varieties that are more resilient to drought, floods and rising temperatures, as well as develop more sustainable farming practices and combat new pests and diseases. New approaches are needed that increase agricultural productivity while being less dependent on nitrogen fertilisers that are manufactured using fossil fuels.

CGIAR has already supported the development of a new variety of flood-tolerant rice, known as Scuba rice, which can survive up to two weeks of flooding, a common occurrence during the monsoon. In Bangladesh, a saline-tolerant rice variety has been introduced to help farmers in coastal areas secure their food supply. CGIAR is also working to develop additional drought-tolerant maize varieties which can improve yields for farmers in sub-Saharan Africa.

Strengthening farmers' resilience to climate change in Bolivia's arid regions

Small-scale farmers in Bolivia's arid regions are very vulnerable to climate change as rain periods are becoming shorter and the climate warmer. Access to water is a crucial challenge. The aim of the PROAGRO 2 initiative is to increase the farmers' incomes by strengthening their resilience to climate change through the implementation of a variety of adaptation measures.

Sweden is providing €8.8 million in fast start funding through the Swedish International Development Cooperation Agency (Sida). The German Development Ministry (BMZ) is also providing financial support to the programme.

Sixty-six municipalities in the three regions – Chaco, Potosí and Valle – are being assisted in developing services for farmers and introducing new agricultural methods, such as new irrigation systems and more resilient crops, to address the impacts of climate change.

PROAGRO 2 builds on the experience and results of the PROAGRO 1 programme, which focused on building water reservoirs and irrigation systems. The new programme aims to strengthen and educate the municipalities' environmental departments so that they can assist farmers with the services they need.

Coping with climate change in the Pacific Island Region

"I fear that our children and grandchildren will look back and ask: how is it that they knew what they knew, and yet did so little?" Anote Tong, President of the Republic of Kiribati.

Pacific islands are among the countries most vulnerable to climate change. Changing rainfall patterns, more extreme floods, droughts and cyclones, and rising sea levels are likely to affect key economic sectors such as agriculture, forestry, fisheries and tourism. Climate change is already impacting on the lives of local communities in many different ways.

Germany is providing a grant of €17.2 million, including **€13 million in fast start funding**, for the "Coping with climate change in the Pacific Islands Region" programme (CCCPIR). Through the programme Germany is advising 12 Pacific island countries on developing national adaptation strategies and integrating climate aspects into local sectoral policies. It is also helping to improve the capabilities of and coordination within Pacific region organisations.

Local communities are being supported in climate-friendly land use planning, erosion control mechanisms and development of diversified and sustainable income sources. Information about climate change is also being integrated into formal and non-formal education and teacher training to give young people the knowledge they need to cope with climate impacts.

Promoting low-carbon development

The EU's fast start funding for mitigation in 2011 totals €1.05 billion.

EU fast start funding for mitigating greenhouse gas emissions is focused on helping developing countries make the transition towards a low carbon development path and reducing greenhouse gas emissions by promoting clean energy technologies. This type of assistance is most relevant and has the highest impact in terms of emission reductions in the fast-growing middle income countries.

A modern, well-performing energy system can cut greenhouse gas emissions while also reducing a country's dependence on imported fossil fuels and strengthening its opportunities to integrate with the global economy. EU funding is promoting projects on low carbon energy, energy efficiency, low carbon transport, development of nationally appropriate mitigation actions (NAMAs) and low emission development strategies. It also supports capacity building on the measurement, reporting and verification (MRV) of emissions and on new carbon market mechanisms.

Credible mitigation action also requires a mix of regulatory measures, incentives and standards designed to set countries on a low-carbon trajectory. Well-chosen measures can stimulate innovation, research and investment without compromising economic growth objectives. As well as providing fast start funding, the EU is sharing its considerable experience with mitigation measures, for example monitoring and reporting of emissions and the use of emissions trading to reduce emissions at least cost.

Case example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Morocco: A Solar Plan for sustainable energy supply

The German government is supporting the installation of a concentrated solar power plant of 500 MW in Quarzazate in southern Morocco through a €100 million subsidised loan and an additional **€10 million in fast start finance**.

The plant is one of five solar power plants, with a total capacity of 2000 MW and representing a total investment of approximately €6.6 billion, that Morocco aims to install by 2020 under its national Solar Plan (*Projet intégré de production d'électricité solaire*). The national plan is a response to the DESERTEC initiative and the European Mediterranean Solar Plan.

The Moroccan government also foresees the creation of research centres for energy, environment and materials and to stimulate investment in solar technologies. This will create qualified jobs and opens the possibility for Morocco to realise its renewable energy potential independently in the long term.

In addition to co-funding the Quarzazate plant, Germany is assisting Moroccan institutions with implementation of the Solar Plan, especially the establishment of industry clusters and research facilities. Through capacity development, workshops and knowledge transfer, Germany is working with local partners to embed sustainable energy technologies in the Moroccan energy system.

World Bank Partnership for Market Readiness

The Partnership for Market Readiness (PMR) is a grant-based trust fund that provides funding and technical assistance to help middle-income countries build capacity to develop next generation carbon market mechanisms to fight climate change. Experience with the EU Emissions Trading System has shown such instruments are a cost-effective way to reduce greenhouse gas emissions from energy and industry sectors. A wide uptake of market-based mitigation solutions, including domestic emissions trading schemes and international scaled-up crediting mechanisms, can facilitate the transition to a low carbon growth model.

Launched at the Cancún climate conference in December 2010, the PMR brings together developed and developing countries as well as other key experts and stakeholders. It seeks to provide a platform for technical discussions on carbon market mechanisms, facilitate collective innovation for pilot efforts and harness financial flows for implementing and scaling these up.

Total contributions to the partnership amount to around €51 million, with the EU and Member States providing **fast start funding through** a **€8.2 million UK contribution** and a **€5 million European Commission grant. Spain has committed to future fast start funding of €3.7 million.** Germany and the Netherlands are also contributing.

In 2011 the PMR has agreed preparatory grants to nine countries (Chile, China, Columbia, Costa Rica, Indonesia, Mexico, Thailand, Turkey and Ukraine) to help them plan the design, piloting and eventual implementation of market-based policies for greenhouse gas mitigation.

Africa Biogas Partnership Programme

The Dutch government is supporting the installation of 70,000 biogas plants in Ethiopia, Kenya, Tanzania, Uganda, Senegal and Burkina Faso through a €30 million grant to the Africa Biogas Partnership Programme. For 2011 alone this includes **€7.2 million in fast start funding**. The programme will help achieve the Millennium Development Goals, as well as a Dutch objective to provide 10 million people with sustainable energy by the year 2015.

The aim of the Africa Biogas Partnership Programme is to provide about half a million people with access to a sustainable source of energy by the year 2013 and reduce greenhouse gas emissions. Biogas will greatly improve the living conditions of women and children as it is smokeless and will remove the need for them to spend time collecting fuel wood. The programme will also create jobs in the newly established domestic biogas business sector. Bio-slurry from the gas production can be used in agriculture to improve soil fertility and boost production.

The financial contribution by the Directorate General for International Cooperation (DGIS) of the Dutch Ministry of Foreign Affairs covers approximately one-third of the total programme costs. The Dutch Humanist Institute for Development Cooperation HIVOS manages the programme and the funds while the international development organisation SNV is in charge of capacity-building activities in the six countries.

Protecting the global forest heritage

Reducing and eventually stopping tropical deforestation and forest degradation is critical to cutting global greenhouse gas emissions. The EU is seeking international agreement on the objectives of reducing tropical deforestation by at least 50% by 2020 and halting global forest cover loss by 2030 at the latest.

Reducing deforestation and forest degradation (REDD+) has significant co-benefits including reducing poverty, protecting biodiversity, improving forest governance and promoting more equitable use of natural resources.

In 2011 the EU has mobilised € 284 million to support REDD+ action in developing countries.

EU fast start funding covers a wide spectrum of REDD+ activities. These include demonstrating ways to change the economics in favour of protecting forests; building developing countries' capacities to monitor, report and verify (MRV) emissions from and removals by land-use activities; supporting necessary policy and governance reforms; and strengthening sustainable management and conservation of forests and enhancement of forest stocks.

Particular attention is paid to improving forest governance, including land tenure reforms and forest law enforcement, and to ensuring benefits for local communities and indigenous peoples.

The EU is providing fast start funding both directly to local and regional REDD+ activities and through global initiatives such as the UN-REDD programme.


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Forest cover monitoring in Central Africa

Emissions from deforestation and forest degradation (REDD) are estimated to be responsible for 15-20% of global CO_2 emissions. Halting deforestation is a crucial way to reduce emissions in the short term.

Earth observation satellite data are an important element of forest monitoring, but in most of central Africa – a region where 40% of the territory is covered by forests – countries' technical capacities to access and use these data are weak. France and several other partners are helping to remedy this through a project that aims to enable Congo Basin countries to carry out forest cover monitoring according to the international guidelines that countries must follow to benefit from the REDD+ mechanisms and funding.

The French Development Agency (AFD) and the French Global Environment Fund (FGEF) are providing central African countries with Earth observation satellite data and access to processing tools, and building up their technical know-how. Maps of forest cover and forest cover changes will be produced for several of the countries.

France's contribution in 2011 is **€10.35 million in fast start finance**. The other partners are the Gabonese Agency for studies and earth observations, Global Environment Fund (GEF), Forest Carbon Partnership Facility, European Space Agency, European Commission and the French institute for Research and Development (IRD). Their combined contribution is €16.7 million for the period 2011-2014.

EU support for UN-REDD

Three EU countries – **Denmark, Luxembourg and Spain** – as well as the **European Commission** are jointly providing **€16.4 million in fast start finance** for the UN-REDD programme, which helps developing countries prepare and implement national strategies to reduce emissions from deforestation and forest degradation (REDD+).

The programme provides support for country-driven REDD strategies and international consensus-building on REDD processes. It also enhances knowledge sharing through its regional workshops, interactive online workspace and Policy Board.


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UN-REDD currently has 35 partner countries spanning Africa, Asia-Pacific and Latin America, of which 14 are receiving support for national programme activities. These 14 countries are Bolivia, Cambodia, Democratic Republic of the Congo (DRC), Ecuador, Indonesia, Nigeria, Panama, Papua New Guinea, Paraguay, the Philippines, Solomon Islands, Tanzania, Vietnam and Zambia.

Launched in September 2008, the programme is a collaboration between, and builds on the expertise of, three UN agencies: the Food and Agriculture Organization (FAO), the UN Development Programme (UNDP) and the UN Environment Programme (UNEP).

The EU's contribution will enable beneficiary countries to broaden their actions and allow new countries to be brought into the programme.

The official EU Report on Fast Start Finance in 2011 can be found at
http://ec.europa.eu/clima/policies/finance/international/faststart/index_en.htm

To complement this brochure, which contains the key messages and numbers, the EU refers to the portfolio which contains further information, such as:

› Detailed tables from the official EU Report

› List of actions by donor, project, objective and recipient

This action list is also available at
http://ec.europa.eu/clima/policies/finance/international/faststart/index_en.htm

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