European Union fast start funding for developing countries

2010-2012 report

European Commission

CY 2012 EU

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This brochure has been written by the European Commission and the Cyprus Presidency with contributions from Member States of specific examples of fast start funding implementation between 2010 and 2012.

The facts and figures are based on the 2012 EU Fast Start Finance report endorsed by the Council of EU Finance Ministers on 13 November 2012.

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Introduction

The EU and its Member States have committed to provide €7.2 billion in fast start finance over the three years 2010-2012 to help developing countries mitigate their greenhouse gas emissions and adapt to climate change. This is almost one third of the total of nearly US $30 billion pledged by developed countries.

At the time of going to press, the EU and its Member States have provided fast start finance totalling €7.14 billion and it is expected that the €7.2 billion pledge will be met when Member State reports are finalised in 2013. This very significant achievement in times of deep financial and economic crisis underlines Europe's commitment to supporting developing countries in their efforts to address climate change.

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 and its Member States will continue to provide significant climate finance to developing countries in 2013 and remains committed to the goal of mobilising public and private climate finance from developed countries totalling US $100 billion a year by 2020 in the context of meaningful mitigation action and transparency on implementation.

The EU remains the largest contributor of climate finance to developing countries and the world's biggest aid donor, collectively providing more than half of global official development assistance (ODA). 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 sustainable energy are two such examples.

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

- To better protect themselves 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 through the fast start initiative will be 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.


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Learning from experience

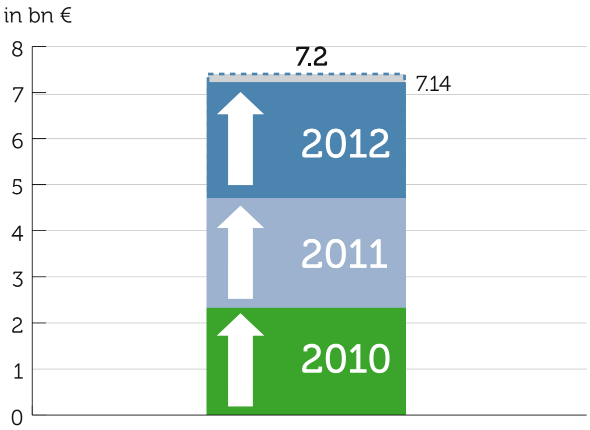
- Climate finance is most effective when deployed in the context of a national climate policy and strategy;
- Mitigation, adaptation and REDD+ strategies should be linked to a country's sustainable economic development strategy;
- Involving all relevant stakeholders is essential;
- Increased transparency on climate action and climate finance flows will improve the effectiveness of climate action.

EU delivering on its commitment

Despite the continuing economic crisis and strong budgetary constraints, the EU and its Member States are honouring their commitments on fast start finance. A total of €7.14 billion of fast start finance has so far been mobilised as part of the overall commitment of €7.2 billion to be provided cumulatively over the period 2010-2012. In 2012 alone, €2.45 billion was committed to support developing countries' efforts to adapt to and mitigate climate change. These figures are preliminary as the accounting year for 2012 for many Member States has not yet concluded. The EU therefore remains on track to meet its commitment of €7.2 billion for the full period.

This achievement is the result of joint efforts and reflects the importance which all 27 Member States and the European Commission place on tackling climate change impacts in developing countries. This is all the more significant as contributions are voluntary. Fast start finance has been provided through the budgets of each Member State and the European Commission's budget and allocated on the basis of their own decisions.

EU's fast start contribution



Sharing funds between priorities

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

Achieving a balanced allocation of funding between the priorities is an ongoing task. Given the many adaptation, mitigation and REDD+ initiatives that exist, considerable coordination among donors and recipients is required to prevent duplication. Since 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, 16.4% of funding is not strictly classified at present.

Multiple delivery channels

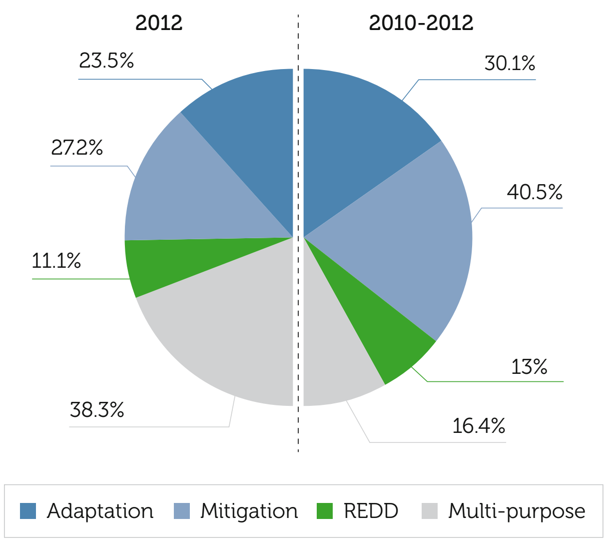
To be effective and to enable the fastest possible deployment of funds, the EU and its Member States are using existing bilateral and multilateral delivery channels where possible, as well as reinforcing existing initiatives. These channels include multilateral and regional development and financial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

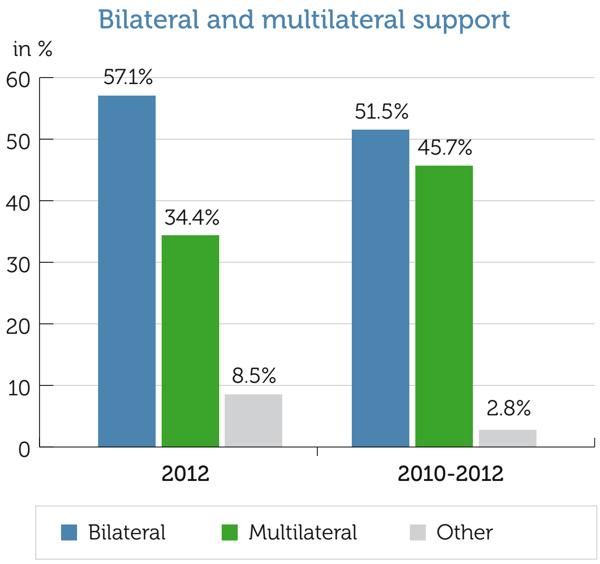
Financing through grants and loans

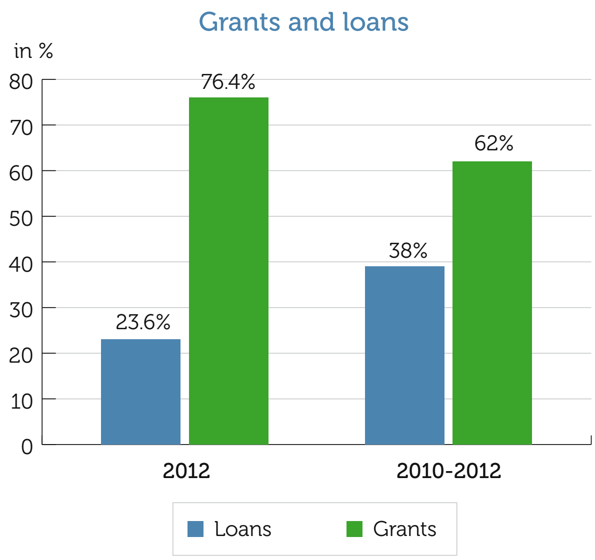
Grants and loans both have important roles to play in climate finance. Loans help to maximise the amount of finance available by leveraging private investment. The EU's climate loans are offered on highly concessional terms that include a major grant element of up to 75%. There is demand for such loans,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

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

Allocation of EU fast start funding 2010/2011







A global alliance on climate change

The Global Climate Change Alliance (GCCA) is an EU initiative launched in 2007 and coordinated by the European Commission. It aims 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 and small island developing states.

Through the GCCA, the EU provides technical and financial support in five priority areas: integrating 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.

The GCCA relies on funding from the EU budget, the European Development Fund and contributions from EU Member States.

The European Commission, Ireland, Estonia and Cyprus added €107 million in fast start finance to the GCCA, scaling up the total funding to some €240 million.

By the end of 2012, the GCCA will have activities at national level in more than 35 countries including Bangladesh, Belize, Benin, Bhutan, Burkina Faso, Cambodia, Central African Republic, Democratic Republic of Congo, Ethiopia, Gambia, Guyana, Jamaica, Laos, Lesotho, the Maldives, Mali, Mauritius, Mozambique, Nepal, Papua New Guinea, Rwanda, Samoa, Senegal, Seychelles, Sierra Leone, the Solomon Islands, Tanzania, Uganda, Timor-Leste and Vanuatu.

In addition, the GCCA is supporting regional interventions in Africa, Asia (Lower Mekong Basin), the Caribbean and the Pacific through regional bodies. **In 2013, it is expected that another nine countries will benefit from the GCCA.**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Equipping the most vulnerable countries to cope with climate change

In 2012 the EU mobilised €523 million in fast start funding to support adaptation activities in developing countries, bringing the amount for adaptation for 2010–2012 to 30.1% of total fast start funding.

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, small island developing states and many African and a few South American countries. These are the most exposed to the negative effects of climate change but are often the least equipped to cope.

It is crucial to strengthen these countries' resilience to climate change. EU funding will help 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 focusing on increasing the capacity of recipient countries to absorb adaptation funding, strengthening national ownership and verifying the viability and added value of initiatives in the longer term. Identifying large scale adaptation projects over which 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 are crucial in assessing needs and setting priorities. Donors' local or regional representations in developing countries and the local offices of multilateral agencies involved play an important role as a first contact point.

Case study

Community-based early warning system in Beira, Mozambique

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Mozambique, one of the poorest countries in the world, is highly affected by floods, cyclones, droughts and erosion. Disasters related to such extreme weather events are a permanent threat to the population. Recent studies predict that, by 2030, climate change-related losses in Beira, Mozambique's second largest coastal city and one of its major ports, could reach US $183 million per year (9.1% of Beira's GDP) if no adaptation measures are implemented making it the most vulnerable city in Mozambique and one of the most vulnerable in Africa. In this context, the Mozambique Disaster Management Authority INGC and the City Council started a partnership supported by the German International Development Agency GIZ in July 2010. The aim of this cooperation is to enable Beira City – its institutions as well as its population – to become more pro-active in reducing their vulnerability. One example of this strategy is the installation of a community-based early-warning system in some vulnerable neighbourhoods. This system created local capacities of response and prevention of flood risks for the affected population. Each day volunteers measure the water level of rivers and rainfall with plastic cups and other simple tools. Disaster warning is spread by radio, bike messengers, drums and megaphone.

The system is functioning in six of the city's most vulnerable neighbourhoods. A municipal disaster risk management structure has been established, facilitating information flow and coordination. The activity has continued in 2012 with **additional funds of €0.5 million from the German government**.

New water reservoirs preventing drought and famine in Burkina Faso


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When Burkina Faso was hit by heavy rainfall and floods in 2009 and 2010, many dams were destroyed along with the livelihoods of thousands of people. As the dams and irrigation systems are being rebuilt, it is important that they are better equipped to withstand flooding that is likely to increase as rain periods are affected by climate change.

Today there are approximately 1200 artificial water reservoirs throughout the country. The small-scale reservoirs are essential for people in rural areas because the rainwater collected there is used to provide water for livestock and crops.

From 2010-2012, the **Swedish International Development Cooperation Agency contributed €10.8 million** to finance a project that will restore ten broken dams and build two new ones. The project is part of Burkina Faso's larger National Adaptation Programme of Action (NAPA). These 12 dams will provide around 1000 families with water for livestock and crop irrigation. Climate-friendly technologies were used for the restoration and new construction of the dams. Local committees will be established at each of the water reservoirs to ensure equal access to water. The project will seek to integrate women, migrants and young girls in these committees.

Insuring against weather-related risks in the Caribbean


© Geoffrey Holman

Island states in the Caribbean are among the most vulnerable countries in the world. The estimated annual damage from extreme weather such as storms, hurricanes and flooding, corresponds to up to 6% of their gross domestic product. Climate change is likely to exacerbate the risk of such events. Up to now there has not been sufficient funding to help people living in the Caribbean to adapt to extreme weather events. They do not have access to risk transfer and insurance options; there is a lack of sound weather information as well as risk management expertise and resources.

Germany's International Climate Initiative is contributing €2 million over a three-year period (2011-2014) to fund a project that identifies solutions for managing weather-related risks. The project is bringing together three key stakeholders: the Caribbean Catastrophe Insurance Facility (CCRIF) as a regional insurance pool, MicroEnsure – a pioneer in the provision of local insurance solutions, and the international reinsurer Munich Re. The project partners are designing and implementing products that combine risk reduction and climate risk insurance to safeguard low-income population groups such as farmers, smallholders and day labourers.

A number of organisations have shown interest in distributing the products.

Drinking water efficiency programme in Morocco

Morocco is already prone to severe water stress and this is likely to increase with the expected effects of climate change. The country faces a dual problem of declining water resources and increasing needs. Water demand is constantly increasing due to the pressure of irrigation, population growth and tourism and industry development. Climate change increases problems of availability while industrial, agricultural and domestic pollution deteriorates remaining resources. Morocco's National Water Strategy provides measures for the protection and conservation of water resources and this is reinforced by the government's priority for adaptation to climate change. A **€30 million loan from the French government** is funding a programme started in 2012 and managed by the Office National de l'Électricité et de l'Eau potable (ONEE) to secure a permanent drinking water supply in 30 medium and large urban centres. This will be achieved by reducing leaks, increasing water storage capacity and upgrading equipment, as well as through assistance on organisational, operational, metering, customer service and management aspects.

The path to low-carbon development

Reducing greenhouse gas emissions must be at the heart of a global climate change regime. Developing countries need help with building up their capacities and capabilities to limit emissions and develop on a low-carbon path.

In 2012 the EU mobilised €606 million in fast start funding for mitigation activities in developing countries. EU fast start funding for mitigating greenhouse gas emissions is focused on helping developing countries make the transition by promoting clean energy technologies. This type of assistance is most effective 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 will promote projects on low-carbon energy, energy efficiency, low-carbon transport, the 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 course. 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 in mitigation measures, for example on the monitoring and reporting of emissions and the use of emissions trading to reduce emissions at least cost.

Case study

Powering up rural boarding schools in the Solomon Islands

In the Pacific region, an area currently heavily dependent on fossil fuels, there is a pressing need to increase access to electricity for lighting, water pumping, telecommunications, cold storage of medicines and so on, especially in remote communities in the outer islands where there is currently limited access or no grid.


© Electrification of Solomon Islands rural boarding schools project

A project has been set up to help 17 boarding schools use renewable sources to meet their energy needs. The focus is mainly on solar lighting, although an assessment will be made to see if eight schools can use rivers for hydropower and if another can use a biodiesel generator system.

Eight schools are already benefiting from solar lighting – 162 buildings, class rooms dormitories, offices and staff houses. This is bringing access to school lighting for 2,647 people.

School communities and students have been involved in implementing the project, thereby building capacity. Because of the community participation, the project has generated a sense of awareness and eagerness to be part of a project with tangible benefits. Savings for the schools involved range from US $1,250-US $25,000, depending on their size.

The project, financed by **Italy**, has been developed under the Pacific Small Island States Cooperation Programme, launched in 2007, and is managed by the Italian Ministry for the Environment Land and Sea in cooperation with Austria, the Municipality of Milan and 14 governments of Pacific Small Islands States. In 2012, the programme was extended for three years up to 31 December 2015 with substantial pledged resources for new projects and a new contributor – the government of Luxembourg.

Increasing access to energy in rural Africa


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Without access to electricity, millions of poor people are deprived of opportunities to improve their living standards and basic services such as health and education are compromised.

The Energy and Environment Partnership programme (EEP) with Southern and East Africa aims to support increased access to modern, clean, affordable and reliable energy services and supports the take-up of renewable energy and energy efficiency. The **UK government is providing £4.5 million** fast start funding between 2010 and 2012 to the EEP programme, which currently operates through partnerships with the governments of Botswana, Burundi, Kenya, Lesotho, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Swaziland, Tanzania, Uganda and Zambia.

The EEP programme supports innovation by bridging the gap between a good idea and investment, providing grants to kick-start projects which support the use of clean, affordable and sustainable energy for rural populations in Africa. It will help provide at least 7,200 rural households, currently unconnected to the grid, with access to new and improved low-carbon energy. Through the programme, more than 32,000 poor people will gain access to new and improved low-carbon energy, improving their welfare, health and economic status.

Promoting renewable energy in Rwanda


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The government of Rwanda has set ambitious targets for access to renewable energy. To help achieve these, the **Netherlands has earmarked €140 million** from its Promoting Renewable Energy Programme to the Great Lakes Region of Africa, supporting national and regional investments.

The Netherlands financed the preparation of a sector plan for the National Electricity Access Programme which aims to connect households to the main grid and develop renewable energy-based power generation. The grid will largely be powered by hydro power. The micro hydro power programme in Rwanda is supported through the Energising Development Partnership, which supports the construction of private micro-hydropower plants and invests in the enabling environment and capacity building for private companies. The large-scale Rusumo Falls hydropower plant will produce electricity for three countries: Burundi, Rwanda and Tanzania. The feasibility study for the plant and its connection to the national grids included a resettlement action plan for the 6,000 affected households. Besides the funding of the preparedness phase, the Netherlands will invest in the construction of the plant through the World Bank.

Rwanda has the unique possibility to extract methane from Lake Kivu. The Dutch Development Bank (FMO) has joined other financial institutions to finance the first phase of the KivuWatt project, including a gas extraction facility and 25MW power plant. Subsequent phases can lead to a 100MW power plant. To address the biomass energy challenges, the Netherlands is supporting Rwanda in the creation and management of 10,000 hectares of artificial forests on private land, creating 4,000 jobs and producing 29,000 tonnes of firewood and 12,000 tonnes of charcoal annually.

Reducing vulnerability to climate change in Kenya

Denmark is supporting a programme to help reduce Kenya's vulnerability to climate change, particularly in the arid and semi-arid regions, while supporting the broader economic development of the country.

The programme catalyzes private sector innovation and business development in addition to improving community resilience. The aim is to reduce the risks and impacts of climate change and promote energy efficiency and renewable energy options.

The programme is closely aligned with the Kenyan government's policies and strategies including the National Climate Change Response Strategy and the ongoing Kenya Climate Change Action Plan. The **110 million DKK provided by Denmark** through fast start funding for the period 2010-2014 is additional to the existing and planned Danish official development assistance to Kenya, and compliments the substantial Danish grant support to the public sector to respond to climate change and improve natural resource management.

Protecting our global forest assets

Tropical deforestation and forest degradation are responsible for around 20% of global emissions. 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 2012 the EU mobilised €247 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.

Case study

Working with local communities to tackle deforestation

The Forest Governance, Markets and Climate (FGMC) Programme aims to reduce the illegal trade in forest resources by addressing forest sector governance and market failures that permit illegal forest practices. The **UK government has committed £60 million, including £16.9 million in fast start funding,** to FGMC until March 2015. The programme will make use of trade and market incentives to influence reforms in timber-producing countries where governance failures often result in illegal logging and neglect for poor peoples' rights to forest land and resources. Lessons learned from working with the timber trade will be used to develop procedures that support legal trade in other commodities such as palm oil and soy, the production of which often results in forest destruction and also contributes to climate change.

The programme supports bilateral trade agreements under the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. The aim is to stop developing countries from importing illegally-produced timber products. Up to 10 developing countries, including Ghana, Indonesia and Liberia will receive support to negotiate and implement FLEGT agreements.

Over the next 25 years, the programme will help protect up to 39 million hectares of forest, help avoid billions of tonnes of carbon emissions, protect the livelihoods of tens of millions of forest-dependent communities and increase the incomes of 50 million men, women and children reliant on farming.

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Case study

Sharing the benefits of sustainable forest management

France has been supporting the implementation of sustainable forest management practices in the main national rainforest of the Central African Republic – an area of 3.8 million hectares – for more than 10 years. The sustainable management of the forest generates significant tax revenue not only for the State, but also for local forest communities. The **French government is providing a €5 million grant** to fund a project that started in 2012 which aims to empower forest communities in the region by helping them use the available taxes to improve economic and social conditions for the 350,000 people that live there. The objective is to improve access to and quality of basic services provided to residents by local authorities. The programme also aims to continue and improve the monitoring of forest management plans, in particular their environmental aspect, to enhance the sustainability of these revenues.


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Beyond fast start finance

In addition to fast start finance, the EU has made other funds available to support climate action in developing countries during 2010-2012 and beyond. Climate finance has become an important part of the EU's bilateral and regional support programmes. Furthermore, the following specific instruments have been set up by the European Commission to enhance climate financing and mobilise concessional loans by the European financial institutions and private sector contributions:

- The **Global Climate Change Alliance (GCCA)** provides financial support in the form of grants and technical assistance to less developed countries and small island developing states to develop adaptation and mitigation strategies and projects.
- The **Global Energy Efficiency and Renewable Energy Fund (GEEREF)** provides risk capital for small and medium scale investments in sustainable energy in developing countries, with an emphasis on ACP countries (Africa, Caribbean and Pacific).
- **EU Regional Investment Facilities** provide grant-loan packages, for example under the Latin America Investment Facility (LAIF), the Africa Infrastructure Trust Fund (EUAITF), and the Investment Facility for Central Asia (IFCA).
- **Clean Development Mechanism (CDM)**: the European Union Emissions Trading System (EU ETS) has created the largest demand for certified emission reductions (CERs) from CDM projects. From 2008-2011, 450 million CERs were used for compliance in the EU ETS implying very significant financial flows.

The European Investment Bank (EIB), one of the world's biggest investors in climate action, invested €18 billion in 2011 – around a third of its total lending volume, of which some €2.1 billion in developing countries. This financing also helps to leverage additional investments, including from the private sector.

This brochure reflects information available on 16/11/2012.

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