



WORKSHEET

Session on The Challenges and Opportunities of Climate Finance for Stengthening the Use of Country Systems

INTRODUCTION

Climate change and development are intrinsically linked

Climate change poses a serious risk to lives and livelihoods, particularly for the world's poorest and most vulnerable populations. The impacts of climate change may reverse progress towards achieving the Millennium Development Goals. In this sense climate change is both a development and an environmental challenge.

It is clear that the mobilisation of “adequate, predictable and sustainable” financing will be critical to address climate change in developing countries.

The relatively significant financial resources committed to in the Copenhagen accord including fast start climate financing of 30 billion between 2010 and 2012 and a commitment to generate an amount approaching 100 billion a year by 2020 have provided some critical momentum to efforts to mobilise climate change financing.

In raising new funds full advantage will have to be taken of innovative sources such as carbon markets and funding should be additional to existing financial assistance. A range of proposals for generating additional public and private funding are currently under discussion within the framework of the UNFCCC.

While climate change related needs will have to be matched with support, an equally challenging question concerns how public climate change funding is to be effectively governed and delivered to developing countries. The development community has important experience to share in this regard.

Lessons from decades of development financing provide useful guidance for climate change financing

Based on decades of experience, donors and developing countries have agreed on a few key principles to guide their partnership. Most of these are relevant to climate change financing and many of the principles are already embedded in climate change agreements such as the Marrakech Accords:

Ownership

For development to be sustainable over the long term, developing country governments must exercise effective ownership over the development process. Activities undertaken in response to



climate change should therefore be country-driven and should clearly be based on needs, views and priorities of partner countries. National sustainable development strategies, poverty reduction strategies and related climate change policies and instruments should be taken into account where they exist. Developing countries must therefore take the lead in establishing and implementing their national climate change strategies through a broad consultative process and ensuring that these strategies are fully integrated into policies, plans and programmes in all relevant sectors (e.g. agriculture and rural development, water resources management, etc.).

Alignment

Climate change financing needs to be integrated into countries' own planning and budgeting mechanisms. This will enable the partner country to exercise genuine ownership and control over financial resources. Recording these resources in the national budget ensures that the use of these funds is subject to scrutiny by parliaments, and other domestic accountability institutions and civil society.

In order to ensure that the international community is responding to genuine local needs and priorities articulated by the recipient countries, it is important that new and additional climate change financing is channeled through countries' existing financial allocation systems.

Capacity Development

Capacity development will be critical to ensure that partner countries have sufficient capacity to absorb and manage climate change financing and to integrate climate change adaptation actions into national planning.

Harmonisation


Experience with aid has shown the importance of harmonisation of international financial flows. When there are scores of contributors and funding mechanisms, each with its own administrative and reporting requirements, the resulting workload may place a strain on partner countries' administrative capacity. To lighten this burden, it is important for the international community to co-ordinate their actions, simplify procedures and share information to avoid proliferation and duplication of funding mechanisms. A shift to programmatic approaches can help in this regard.

Managing for Development results

Clearly, the challenges posed by climate change call for effective responses, which yield actual results on the ground. This is well recognised by the Bali Action Plan, which stresses the need for the various actions undertaken by Parties to implement the Convention to be "measurable, reportable and verifiable".

Moreover, there is a need to ensure complementarity between climate change and development objectives.

Greater efforts are needed to ensure complementarity between climate change and existing development finance. It is crucial that climate change financing contributes to poverty reduction



and other sustainable development objectives. Countries therefore need to commit themselves to better link climate change and development planning and maximise synergies between poverty reduction and climate change mitigation and adaptation. The recently published OECD Policy Guidance on Integrating Climate Change Adaptation into Development Co-operation sets out ways to operationalise the mainstreaming of climate change adaptation into decision-making in developing countries at all levels.

Conclusion

In conclusion, both sides of the climate change financing equation present formidable challenges. Mobilising sufficient resources to address both climate change adaptation and mitigation will require significant innovation and political will – particularly in the current economic climate.

Yet an equally great challenge is how to manage these funds. There is a need to pay greater attention to the lessons learned from decades of experience with development. Not least is the critical importance of avoiding complex and fragmented sources of climate change financing and ensuring that developing countries have sufficient capacity to effectively absorb and use the additional resources for their intended purposes. Furthermore, as development objectives and climate change strategies are strongly intertwined, policymakers will also need to ensure complementarity between development and climate change objectives in order to achieve effective results on the ground.

PRIORITIES – Please identify below what you consider to be the top five priorities in terms of capacities that need to be developed for integrating climate change financing in country systems.

- 1.**
- 2.**
- 3.**
- 4.**
- 5.**



GOOD EXAMPLE – Please describe below a good example of capacity development for climate change financing.

HOW TO – Please discuss below what you consider should be the key elements of a strategy or initiative aimed at developing the priority capacities identified above.

IDENTIFY YOURSELF – Please provide below your name and contact details, so that the organisers can eventually follow up with you for further details on your contribution.