

Multilateral and bilateral development financing mechanisms that integrate climate change and key issues in making these programmes more effective

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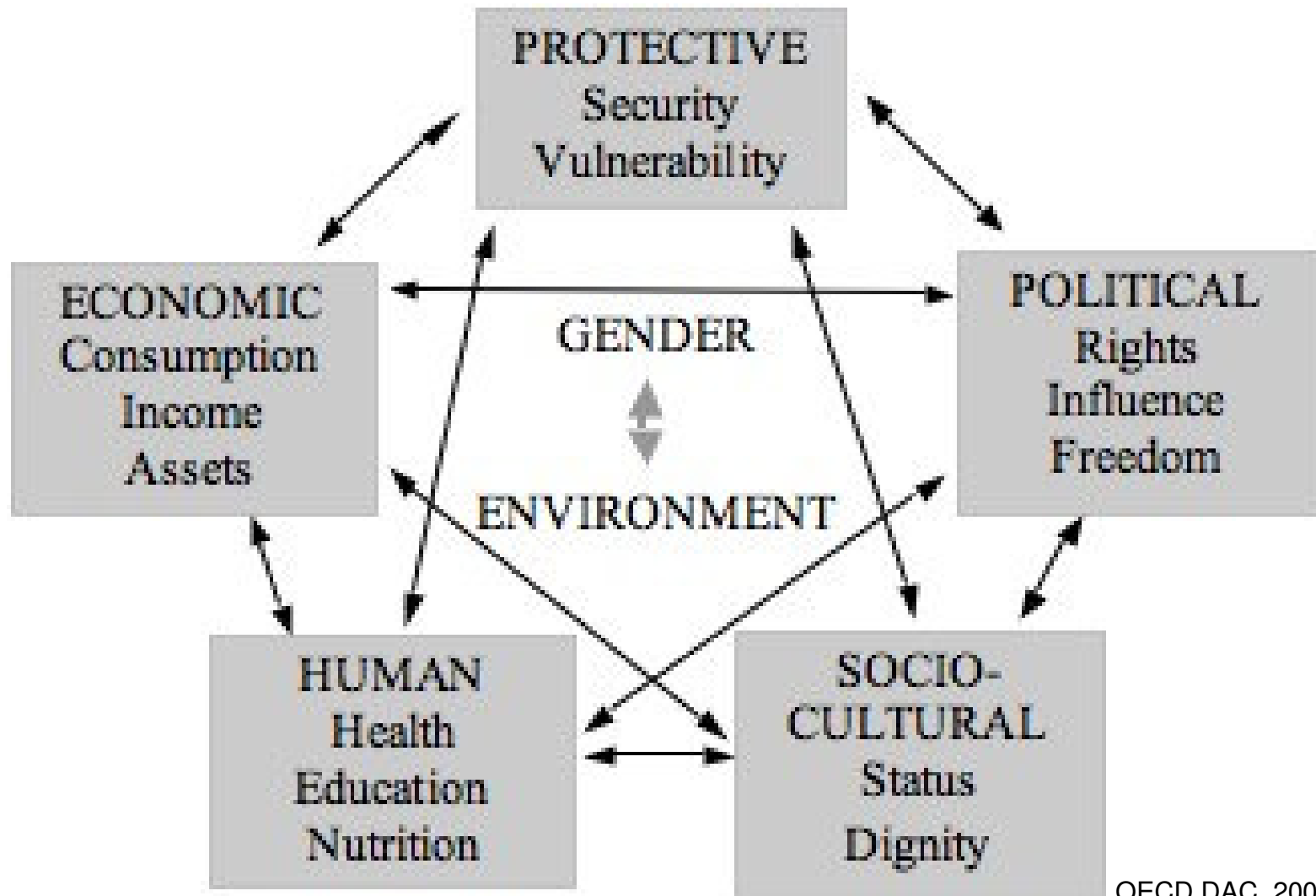
Introduction

- Poverty
- Integrating adaptation into development assistance
- Climate proofing development
- Case studies

Poverty Reduction

- Founding principles of DAC Guidelines on Poverty Reduction (2001) are
 - Partnership
 - Ownership
 - Country leadership
 - Broad-based participation
 - Development effectiveness; and
 - Accountability
- Developing human capabilities

Human capabilities



- **Economic capabilities** relate to secure access to productive financial and physical resources
- **Human capabilities** are crucial to wellbeing, as well as means to improving livelihoods
- **Political capabilities** are important because powerlessness aggravates other dimensions of poverty, and inhibits secure access to resources
- **Socio-cultural capabilities** prevent social exclusion
- **Protective capabilities** are both gendered and generational

Poverty and Climate Change 2003

“Despite international efforts, poverty has become more widespread in many countries in the last decade, making poverty reduction the core challenge for development in the 21st century. In the Millennium Declaration, 189 nations have resolved to halve extreme poverty by 2015...However, climate change is a serious risk to poverty reduction and threatens to undo decades of development efforts...”

Bridge Over Troubled Water 2005

“The issue of climate change can seem remote, compared with such immediate problems as poverty, disease and economic stagnation. Yet, climate change can directly affect the efficiency of resource investments and eventual achievement of many development objectives. How development occurs also has implications for climate change itself and the vulnerability of societies to its impacts. There is therefore a need to link climate change considerations with development priorities.”

Integrating Climate Change into Development Financing

- Multilateral financing
 - Global Environmental Facility
 - Poverty Reduction Strategies
- Bilateral financing
 - Sector Wide Approaches
 - Programme Aid
 - Project Aid
- Insurance

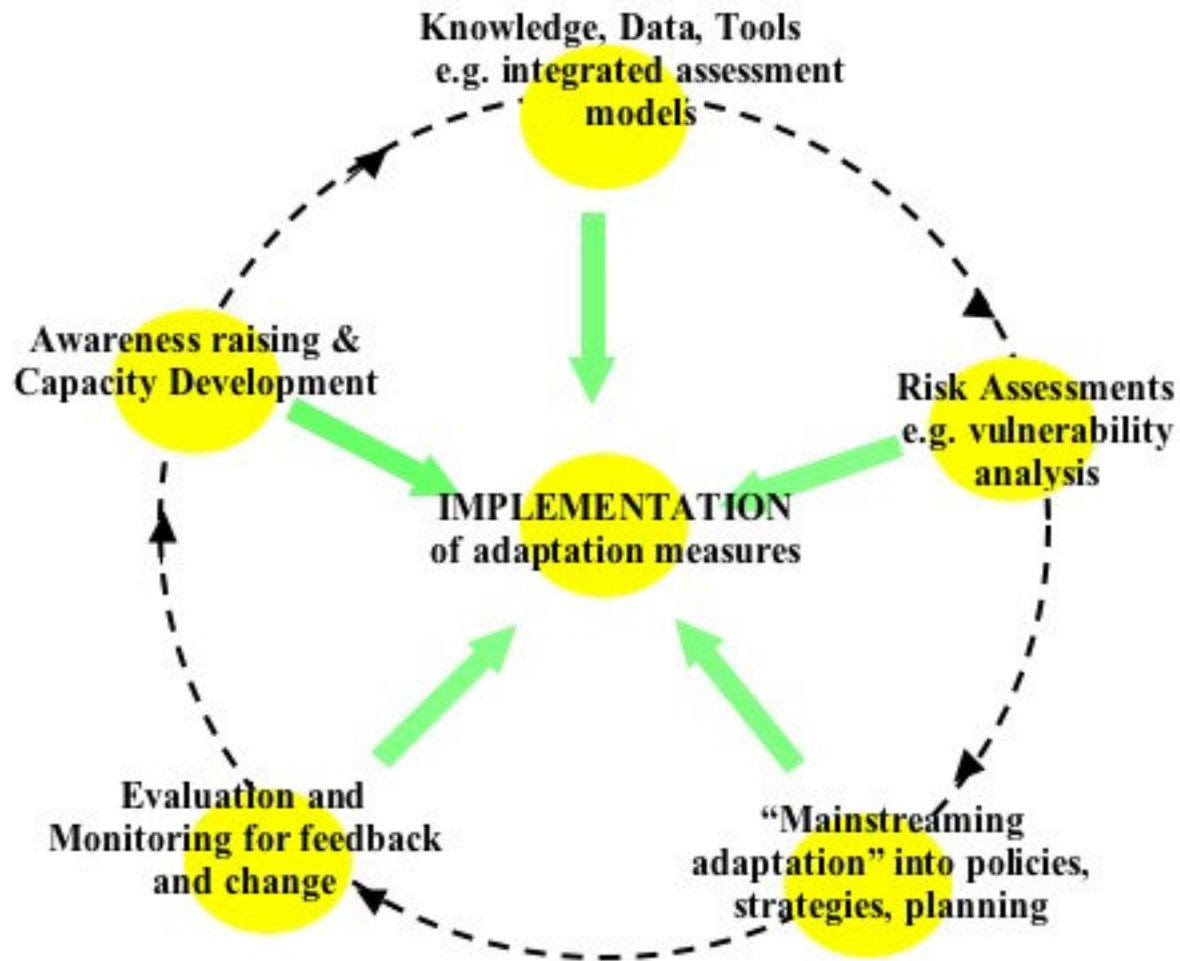
Global Environmental Facility

The GEF is the financial mechanism of the UNFCCC

Main focus has been on mitigation of climate change

- Special climate change fund - scope for climate proofing and risk assessments
- Least Developed Country Fund - preparation and implementation of National Adaptation Programmes of Action
- Adaptation fund - 2 percent levy on certified emissions reductions (CERs) issued for Clean Development Mechanism activities

Mainstreaming Adaptation into Development



Adapted from OECD, 2005

Poverty Reduction Strategies

Poverty Reduction Strategies and medium term fiscal reviews are a high profile entry point for integrating climate risk into development assistance, for example, in:

- Agriculture/livestock
- Coastal zone management
- Energy,
- Forest management
- Industry,
- Transport
- Waste management; and
- Water

Bilateral financing

- **Sector Wide Approaches:**
- Require development agencies to take locally owned sector strategies into account
- Rely upon partnership building, including the private sector
- Are amenable to policy dialogue on equity effectiveness
- If sectoral planning starts from the micro level, there is scope to include aims of target groups
- Can forge links with other sectors

Policy Coherence and Donor Coordination

- Sector Wide Approaches can promote donor coordination and policy coherence
 - However, policy coherence with foreign policies on terrorism may detract from poverty reduction
- Consultative Group meetings e.g. under the Comprehensive Development Framework of the World Bank can enhance coordination
 - “Lead agency approach” where bilateral donors team up with other agencies to assume leadership for a given sector or theme

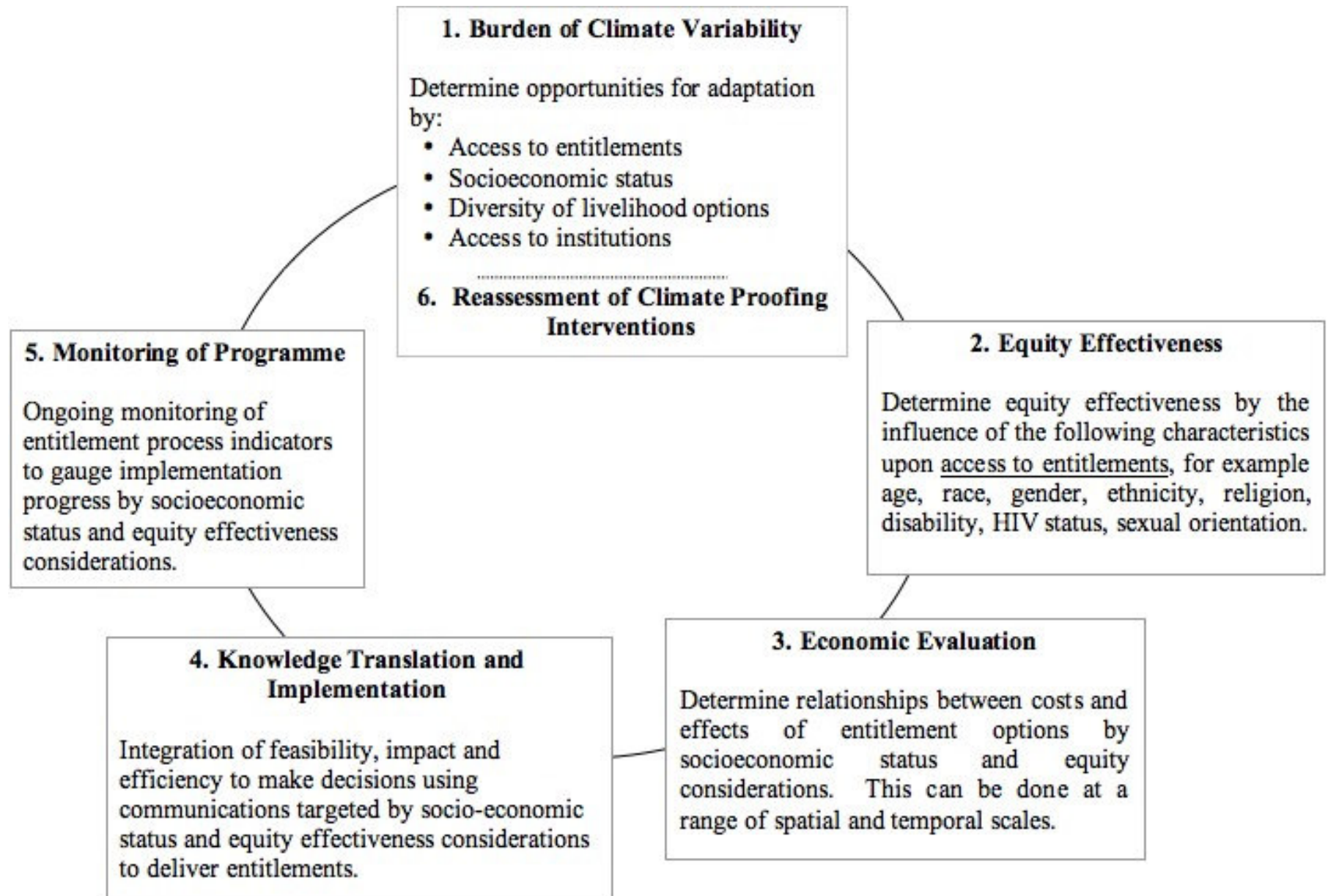
Bilateral Financing

- **Programme Aid:**
- Can include general budget support
- Assumes good framework conditions in partner countries
- Reduces transaction costs, and ensures rapid disbursement of funds
- Can ensure pro-poor policies are included in policy dialogue e.g. in macroeconomic reforms
- Projects can contribute to policy dialogue under programme aid

Bilateral Financing

- **Project Support:**
- Can focus upon manageable problems
- May distort patterns of national spending if separate funding channels/procedures are followed which also imposes high management costs
- All projects require impact assessments e.g. Environmental Impact Assessment

Increasing the effectiveness of equity



Three issues in climate proofing

- The risk of climate change to the project
 - Different to EIA which considers the risk of the project to the environment
- The vulnerability to climate change of the community or ecosystem that is intended to benefit from the project
- The possible effects of the project on the (short and longer term) vulnerability of communities or ecosystems to climate change

(Klein, 2001)

Climate Proofing

- Apart from impact assessments, project cycle planning first entry point
- Periodic review of logical Framework and exit strategies
- Insurance

Case Studies

- Experience with the Netherlands Climate Assistance Programme
- Mainstreaming HIV/AIDS into the Food for Assets approach