

UK Fast Start Climate Change Finance

Providing help to the poorest to adapt to climate change and promoting cleaner, greener growth

Delivering finance

The UK Government is committed to helping developing countries carry out the urgent work needed to adapt to climate change and develop in a low carbon way, including reducing emissions from deforestation. We are supporting ambitious global action on climate change.

The UK Government is providing £1.5 billion (approximately \$2.4 billion) in Fast Start finance for climate change from 2010 to 2012. Fast Start is a commitment made by developed countries at the UN Conference on Climate Change in Copenhagen to provide new and additional resources approaching \$30 billion to help meet the adaptation and mitigation needs of developing countries. Fast Start finance is helping to prepare for the long-term goal of developed countries mobilising \$100 billion a year for climate change by 2020 from a variety of sources. Fast Start supports preparations for the effective use of scaled-up financial flows and the implementation of climate policies in developing countries.

The UK pledge has been confirmed in the UK Government's four-yearly Spending Review which set a budget of **£2.9 billion** for climate finance for the period 2011-12 to 2014-15, known as the **International Climate Fund (ICF)**. The ICF commits UK climate finance for two years beyond the Fast Start period.

UK Fast Start finance is already flowing

To date, a total of **£1,056 million** has been approved for or spent on specific multilateral and bilateral programmes (£569 million in 2010 and £487 million in 2011). This is over two-thirds of our pledge.

We are providing further climate-related support through the UK aid programme in addition to Fast Start.

Track record on climate finance:

- ▶ The UK is the biggest EU donor to Fast Start
- ▶ The UK is the biggest donor to the Climate Investment Funds
- ▶ The UK is the fourth biggest donor to the Global Environmental Facility

UK Fast Start commitments:

- ▶ £1.5 billion UK Fast Start 2010-12
- ▶ Of which, £1,056 million spent or committed on specific programmes in 2010-11 and 2011
- ▶ We are going beyond Fast Start and providing £2.9 billion between 2011-12 and 2014-15.

Helping the poorest adapt to the impacts of climate change

It is the world's poorest who will be hit hardest by the impacts of climate change. They are the most vulnerable and least able to adapt, yet they have contributed the least to its causes.

The UK's support for adaptation is helping communities build resilience to climate impacts, for example by:

- ▶ Developing better systems for managing water scarcity or flooding
- ▶ Ensuring homes, schools and hospitals protect people from floods
- ▶ Using crops and farming approaches to cope better in droughts or heat.

The UK Government is supporting countries to **develop and implement national climate change strategies** and adaptation-specific interventions, investing in research into adaptation, and helping to ensure that the voice of those affected is heard in local, national and international decision-making processes.

The UK has committed £310 million to the **Pilot Programme for Climate Resilience (PPCR)** (one of the Climate Investment Funds – see page 9) including £287 million Fast Start funding. This is supporting countries and regions to develop and implement holistic adaptation programmes. To date, investment plans have been endorsed for Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Zambia, Grenada, Jamaica, St Vincent and the Grenadines, St Lucia, and Samoa.

The UK is also providing financial support to the **UN Least Developed Countries Fund (LDCF)** and the **Adaptation Fund (AF)**. The LDCF will help LDCs to implement their adaptation plans whilst the AF will enable developing countries to access funds directly for adaptation priorities. The UK has recently committed £30 million Fast Start funding to the LDCF and £10 million to the AF.



Case study: Regional trans-boundary water management

Rivers in Southern Africa typically flow through a number of countries. The UK is supporting Southern African countries to manage shared water resources better.

Ondjiva, an Angolan town on the border with Namibia, often goes for years without significant rainfall. When it does rain, floods sweep across the flat ground leaving little stored for future use. Those who can afford to do so buy their water from tankers, spending on average one third of their monthly income. Others buy from men like Antonio - his barrel weighs nearly $\frac{1}{4}$ tonne, and it will have taken him much of the day to roll it into town, earning him around 20 pence.

Many people can afford neither; meaning girls and women must spend time every day fetching dirty water for their families. The government has been successful in investing in water infrastructure, but this will not be sufficient to meet the future needs of the town.

The UK, together with Germany and Australia, has supported countries in Southern Africa to work together to manage and develop shared water resources, including the construction of a pipeline to carry water available on the Namibian side of the border to the 120,000 people of Ondjiva, providing them with a cheap, reliable and safe supply of clean water.

The initial phase of UK support to trans-boundary water management in Southern Africa (£7m 2008-11) has supported such collaborative river management in four basins. The UK is exploring how to best provide further support to Southern Africa Development Community (SADC) plans for trans-boundary water management.

Examples of other UK Fast Start funded initiatives for adaptation include:

Adaptation research	River management
We are providing £2.7 million Fast Start support in 2011-12 to the Climate Change Adaptation in Africa (CCAA) research programme which helps African organisations to compile lessons learnt in community based adaptation, with a view to strengthening the evidence for cost-effective adaptation planning.	We are providing £1.45 million Fast Start support in 2011-12 to the Nile Basin Discourse programme that is helping civil society organisations to engage with Governments on river management and related issues. This should result in the development of the Nile better reflecting the needs and concerns of populations in the river basin.

Supporting cleaner, greener growth in developing countries

Adopting low carbon technologies can help countries to grow sustainably and alleviate poverty in a way that reduces or avoids dangerous climate emissions. For example, adopting renewable energy and energy efficient technologies on a large scale could help developing countries to reduce their exposure to volatile fossil fuel prices, reduce the energy intensity of their economies and create new jobs in emerging low carbon sectors.

The UK Government is supporting developing countries to achieve a low carbon future that reduces poverty, focusing on the following areas:

- ▶ Helping millions of poor people secure access to clean energy
- ▶ Helping poor countries develop in ways that avoid or reduce harmful greenhouse gas emissions
- ▶ Securing private sector investment in low carbon development to complement public money spent.

The UK is providing support through our bilateral programmes and through major international climate funds. Support through multilateral funds includes:

£535 million committed to the **Clean Technology Fund** (including £305 million Fast Start funding) which, when combined with other donor funding, is expected to leverage over \$40 billion of investment in low carbon projects. This is expected to provide **18 million people** with low carbon and affordable transport and help build **12 new concentrated solar power plants** in North Africa – providing clean electricity and thousands of jobs to local communities.

Case study: Making significant greenhouse gas emission savings

The Clean Technology Fund (CTF) demonstrates the savings that can be made at scale, for example by supporting renewable energy infrastructure, such as wind and solar energy, and supporting a number of energy efficiency programmes, such as programmes to replace inefficient home appliances and upgrade district heating systems.

In Morocco, the CTF is providing US\$150 million for a wind energy plan that will support three wind farms and two hydro facilities totalling 1.02 GW capacity. The project will take advantage of Morocco's substantial wind resources and contribute to

reaching a target of a 2 GW increase in wind energy capacity and a 2 GW increase in hydro capacity by 2020. The project will begin to reduce Morocco's dependence on coal for its electricity generation and set it on a low carbon development path to reduce its CO₂ emissions by 25 per cent by 2020.

In Colombia, the CTF is providing US\$17.5 million to co-finance with the Inter-American Development Bank (IDB) and the International Finance Corporation (IFC) a programme to address the market failures that prevent the scaling up of energy efficiency and cleaner production projects. The programme aims to encourage investments from end-users by increasing access to appropriate finance. The CTF investment is expected to mobilise a total of US\$430 million, including from the multilateral development banks and private sources.

The UK's support to the **Global Environment Facility (GEF)** – the central funding mechanism for the UNFCCC and Convention on Biological Diversity – will help developing countries to integrate climate change and environment into poverty reduction strategies:

- ▶ We are providing £105 million in 2011-12, including £42 million Fast Start funding, to the GEF to support sustainable development and tackle climate change in around 165 developing countries and countries with economies in transition.
- ▶ Together with commitments from other donors, this support is expected to result in 500 million tonnes of carbon dioxide being avoided, 3-4 innovative technologies in 10-15 countries being implemented and 0.5 gigawatts of new renewable energy capacity being created.

Working with the private sector

We are aiming to create new partnerships with the private sector to increase green investments. The aim is to demonstrate to major private sector investors that climate friendly investments are financially viable. In particular we are working on two **partnerships with the private sector for climate-friendly funds**. We and other public sector players will consider investing in these funds alongside private pension and sovereign wealth funds. The funds will invest directly in renewable energy projects, and also in sub-funds to support investments in, for example: energy efficiency, renewable energy, clean tech inventions, forestry, public transport, urban development and waste treatment. One fund with the Asian Development Bank will specifically focus on Asia and the other, which is global in nature, will be managed by the International Finance Corporation (Asset Management Corporation).

Recognising that significant levels of investment are required to make the transition to a low carbon economy, the **Capital Markets Climate Initiative (CMCI)** was launched by the UK Minister of State for Climate Change, Gregory Barker, to help accelerate the response to this financing challenge by supporting the scale up of private finance flows to developing countries. The CMCI will be working with policymakers in developing countries to understand why and how public sector action can help mobilise private capital and encourage new markets in low carbon investments. This will focus on the role of “investment grade” policy, including public financial mechanisms. This approach recognises the need to move from theory to action by demonstrating the potential impact of public sector action through practical implementation. Through this process, CMCI looks also to help raise private sector interest in countries/sectors where they would not have otherwise invested, and strengthen their appetite for those areas they already deemed attractive.



Case study: Mobilising the private sector to benefit the poor

Only around five per cent of the rural population in East African countries has access to power. The Renewable Energy and Adaptation to Climate Technologies (REACT) fund aims to stimulate private sector investment in developing and delivering low cost, clean energy and climate change technologies, such as **solar power, biogas, irrigation and water efficiency measures**.

REACT was launched in late 2010 for **Kenya, Tanzania, Rwanda, Uganda and Burundi**. The British Government is providing £10 million to kick start the REACT fund over a period of six years to 2016, including £1.6 million of Fast Start funding in 2011-12.

Supporting use of market mechanisms

We are working with our partners, including the Multilateral Development Banks and the EU, to deliver climate assistance to developing countries.

Case study: World Bank Partnership for Market Readiness

The Partnership for Market Readiness (PMR) is a grant-based trust fund that helps middle-income countries develop and pilot market-based policies to reduce greenhouse gas emissions. The PMR brings together policy makers from governments with experts and stakeholders to provide a platform for piloting these market-based policies. The PMR is country-led and builds on developing countries' own mitigation priorities.

The UK is providing £7 million (approximately \$11 million) of a total funding of \$70 million. In 2011 the PMR has agreed grants of \$350,000 to nine countries to help them plan the design, piloting and eventual implementation of market-based policies for greenhouse gas mitigation.

Safeguarding forests and reducing emissions

Forests are crucial to the livelihoods of 1.2 billion of the world's poorest people, and 60 million indigenous people depend on forests for their survival – for example for food, livestock fodder, shelter and medicine. Forests also contain more than half of all land-based plants and animals.

Forests are one of the planet's great stores of carbon and destroying them reduces the earth's capacity to store CO₂. Around 17 per cent of global greenhouse gas emissions result from deforestation – more than from all the cars, trains, trucks and planes in the world put together. Reducing Emissions from Deforestation and forest Degradation and growing new forests (**REDD+**) is one of the most cost effective options for reducing global emissions.

The UK is providing £300 million for action on REDD+ over the Fast Start period 2010 to 2012, focusing on three areas:

- ▶ National REDD+ strategy development
- ▶ Up front finance to help implement national REDD+ strategies
- ▶ Results-based finance for verified emission reductions

Examples include:

- ▶ £100 million has been committed to the **Forest Investment Programme** (FIP), including £88 million Fast Start funding to support at least eight countries to implement the investment activities identified in their central REDD+ strategies. FIP finances innovative approaches to sustainable forest management which will reduce deforestation and forest degradation and enhance the well-being of forest dependent communities, increasing their resilience to climate change and providing new sources of income.

The UK has also committed £5.5 million Fast Start funding in 2011-12 to the ten-year **Forest Governance, Markets and Climate Programme** which will contribute to global results of: protecting 39 million hectares of forest; avoiding billions of tonnes of carbon emissions; avoiding £13 billion in revenue and tax loss; protecting the livelihoods of tens of millions of forest-dependent communities and increasing the incomes of 50 million farming men, women and children.

Case study: Supporting communities with sustainable forest management

Climate change is being felt in the forests of Nepal. Erratic rainfall, melting glaciers, flash floods and landslides, droughts, forest fires and dried-up springs are leading to reduced crop production, loss of land, increased pests and disease and food scarcity.

The UK is providing £2.5 million Fast Start funding in 2011-12 to a programme in Nepal that will support 2 million households to manage 800,000 hectares of community forests, which will increase their incomes by 25 per cent or more.

This programme is benefitting households that depend heavily on the forest for fuel, building materials and livestock fodder – as well as improving the forests themselves, making them more sustainable and productive. With the increased income they have generated from the wood, fodder, fuel and forest fruits, they have been able to build other small businesses.



Picture credit: Bikas Rauniar/DFID

Building the evidence and knowledge to respond to climate change

The UK is helping to build global knowledge to tackle climate change and reduce poverty and to improve the evidence needed to help developing countries to adapt to climate change and to help them grow in a low carbon way. Our research covers a range of areas, from climate science and impact modelling, to adaptation and mitigation and is generating practical tools and technologies that can be applied in the field and which can make a real difference to people's lives.

Climate and Development Knowledge Network (CDKN)

To identify the best opportunities and create practical policies, decision-makers need access to the best available information, research and advice, such as climate impacts data and cost benefit analysis of adaptation approaches.

The Climate and Development Knowledge Network (CDKN) is a five year initiative that is supporting **40 developing countries to build their knowledge, capacity and action plans on climate change**. The UK is contributing £45 million over five years (including £21 million Fast Start funding).

CDKN is an alliance of six private and non-governmental organisations working across four continents. With its team of scientists, economists and policy analysts from both developed and developing countries, CDKN offers support to public, private and non-governmental decision-makers to develop new policies, introduce new technologies and mobilise new funding sources. For more information on CDKN, see www.cdkn.org or contact cdknetwork.enquiries@uk.pwc.com

UK Advocacy Fund

The UK's **Advocacy Fund**, launched on 6 September 2011, includes a £10 million climate window that will help strengthen the voice of the poorest countries in international climate negotiations. CDKN will manage the climate window of the Advocacy Fund.

How is UK Fast Start finance being delivered?

The UK's Fast Start finance for climate change is being delivered through major international climate funds for climate change, global and regional research and piloting schemes, and directly to developing countries through the UK aid programme.

Of the UK's £1.5 billion Fast Start commitment, we have committed £1,056 million in 2010 and 2011, broken down as follows:

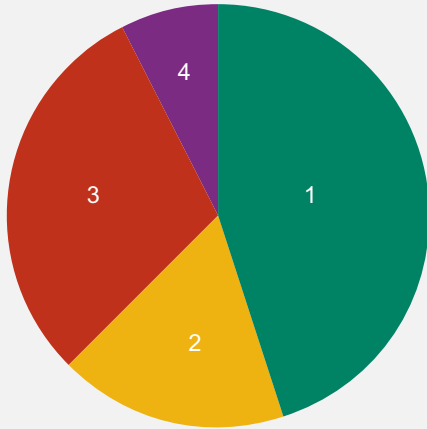
- ▶ £122 million through our bilateral programme
- ▶ £934 million to multilateral funds

UK multilateral Fast Start spend and commitments 2010-2011 (£ million)			
		Fast Start Commitments 2011	Fast Start Total to date
1. Climate Investment Funds			
- Pilot Programme for Climate Resilience (PPCR)	Adaptation	85	287
- Clean Technology Fund (CTF)	Low Carbon Development	150	305
- Forest Investment Programme (FIP)	Forests	25	88
- Scaling-Up Renewable Energy Programme (SREP)	Mitigation		35
2. Congo Basin Forest Fund			
			35
3. Forest Carbon Partnership Facility (FCPF)			
			10
4. Global Environment Facility (GEF) – Climate Change element			
		42	53.7
5. Forest Governance, Markets and Climate Programme			
		5.5	5.5
6. Climate Development Knowledge Network (CDKN)			
		21	21
7. Advocacy Fund – climate window			
		4	4
8. UN Least Developed Countries Fund (LDCF)			
		30	30
9. UN Adaptation Fund			
		10	10
10. Other Multilateral			
		50.05	50.05
Total UK multilateral Fast Start spend and commitments		422.55	934.25

UK bilateral Fast Start spend and commitments 2010-2011 (£ million)			
		Fast Start Commitments 2011	Fast Start Total to date
Climate Change – cross cutting		29.00	48.00
Low carbon development / Mitigation		9.55	12.55
Adaptation		20.94	52.94
Forests		5.52	8.52
Total UK bilateral Fast Start spend and commitments		65.01	122.01
TOTAL		487.56	1,056.26

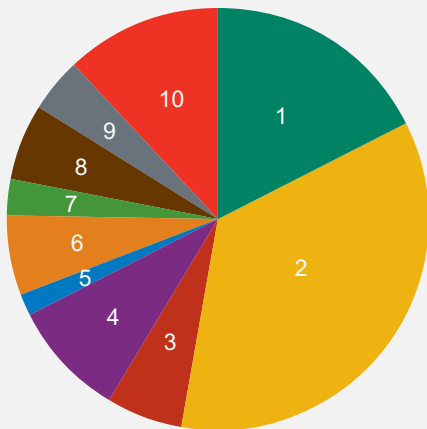
* cross cutting = supporting more than one climate change objective

* Above figures correct as of 25/11/11 and take into account programmes approved since the publication of the EU Fast Start report.



UK Fast Start bilateral commitments 2011

- 1. Climate Change – cross cutting = 45%
- 2. Low carbon development/Mitigation = 15%
- 3. Adaptation = 32%
- 4. Forests = 8%



UK Fast Start multilateral commitments 2011

- 1. Pilot Programme for Climate Resilience (PPCR) = 20%
- 2. Clean Technology Fund (CTF) = 36%
- 3. Forest Investment Programme (FIP) = 6%
- 4. Global Environment Facility (GEF) - Climate Change Element = 10%
- 5. Forest Governance, Markets and Climate Programme = 1%
- 6. Climate Development Knowledge Network = 5%
- 7. Advocacy Fund - climate window = 1%
- 8. UN Least Developed Countries Fund = 7%
- 9. UN Adaptation Fund = 2%
- 10. Other Multilateral = 12%

Case study: Climate Investment Funds (CIFs)

The global Climate Investment Funds (CIFs) are trust funds managed by Boards comprising equal numbers of donors and recipients to deliver large scale finance to support developing countries' own plans for low carbon, climate resilient development. Funds are delivered through multilateral development banks such as the African Development Bank and the World Bank.

Over \$6 billion has been pledged to the CIFs by 13 donor countries and over 50 developing countries are involved as equal partners in decision making or as recipients of finance. To date, the UK has provided £995 million to the CIFs, including £715 million Fast Start finance. The UK is also involved in the design and governance of the CIFs.

To find out more about the Climate Investment Funds, visit www.climateinvestmentfunds.org

Climate Change and promoting development

UK Fast Start finance is Official Development Assistance (ODA) and supports programmes that are helping to reduce global poverty by combating climate change. It does not include other forms of support such as export credit guarantees or carbon market finance. We are working to ensure that all of the UK's aid is 'climate smart' and will work with our international partners to 'speed up' the greening of their development assistance.

Transparency

In line with the UK Government's commitment to greater transparency in aid commitments, the UK has published a detailed list of programmes and projects receiving Fast Start funding – see www.faststartfinance.org

We only include as Fast Start the components of a project's spend that are directly targeting climate-related issues. For example, the Global Environment Facility tackles not only climate change but also biodiversity, water and ozone depletion. Of the UK contribution, only the climate change component is being funded by Fast Start. The UK is guided by the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee's Rio marker definitions of adaptation and mitigation – see www.oecd.org for more information.

Next steps

The UK is on track to meet its Fast Start pledge to deliver £1.5 billion international climate finance by the end of 2012.

The UK Government has set up the **International Climate Fund (ICF)** to help developing countries tackle climate change and reduce poverty. The ICF will focus on three priorities:

- ▶ Helping the poorest people adapt to the effects of climate change on their lives and livelihoods
- ▶ Helping poor countries develop in ways that avoid or reduce harmful greenhouse gas emissions and enabling millions of poor people to benefit from clean energy
- ▶ Protecting the world's forests and the livelihoods of the 1.2 billion people who depend on them.

We will do this through building evidence of what works; through supporting innovation and knowledge transfer; and by making sure all of the UK aid budget is 'climate smart' and achieving value for money.

The ICF will provide £2.9 billion of climate finance from within existing aid commitments from 2011 to 2015. This meets the UK's commitment to provide £1.5 billion of Fast Start finance by 2012. The ICF demonstrates the UK's commitment to the realisation of this goal. For the longer term, developed countries have agreed to the goal of jointly mobilising up to \$100 billion of climate finance per year by 2020 from private and public sources. For further information about the ICF visit:

<http://www.dfid.gov.uk/What-we-do/Key-Issues/Climate-and-environment/>

For further information

Department for International Development (www.dfid.gov.uk)

Department of Energy and Climate Change (www.decc.gov.uk)

Department for Environment, Food and Rural Affairs (www.defra.gov.uk)