GAP ANALYSIS RELATED TO ADAPTATION FINANCE

Asia Pacific Adaptation Network (APAN)
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1. INTRODUCTION

Addressing climate change is an urgent and complex challenge, with not one silver-bullet solution. To be successful, there is need for different government, national and international non-governmental organizations and organizations working in diverse ways to confront this challenge in a diverse but effective manner. In order to provide the necessary support and enhance the adaptive capacity of developing and least developed nations, various adaptation funding and technology transfer agreement and mechanisms have been put in place which promises to provide the most resources for adaptation and adaptation related projects as created and prioritized by the UNFCCC Adaptation Fund. This takes a variety of forms including bilateral and multilateral funding/grants; public donations; philanthropists; foundations and corporations, as well as national government budgetary resources.

However, capacity limitations, issues of access to information, as well as access to the funding itself have been key constraints to many organizations and individuals seeking to benefit from the various financing sources available, given the criteria that need to be satisfied and the need to be considered in prioritizing adaptation projects before the costs of adaptation can be supplied by adaptation funds.
IGES consultations carried out in Asia over the past four years have identified several obstacles to effective adaptation, such as a lack of capacity to identify and implement effective adaptation actions, lack of understanding on issues related to adaptation, lack of finances, poor governance systems, and diverse opinions among developing countries on how adaptation concerns should be addressed in a future climate regime (IGES 2005, 2006, 2008). Over the years, the consensus has narrowed down to a few major issues, which include making available necessary finances for promoting adaptation, and promoting disaster risk reduction by establishing links between global level climate actions and local level risk reduction actions (Prabhakar and Srinivasan, 2008). IGES have over the years found that many groups and individuals had been the least successful in securing financing for adaptation operation, and this is often complicated by the lack of knowledge of the available funding sources.

Objectives

This report provides a brief overview of the current available Climate Change adaptation funding sources and how such funding mechanisms can be accessed towards improving State, organizational and local communities' adaptive capacity. This report is targeted for:

- Practitioners and project implementers from non-government organizations and other environmental and development organizations
- Officers, planners and decision makers from national or sub-national government organizations

Approach

The report is a compilation of currently available funding and dispersal mechanism for climate change adaptation and mitigation. The inventory lists down the funding mechanism, its nature and purpose, source(s) of funds, target beneficiaries, application requirements and other background information. The inventory also included the results of programs or projects that utilized each funding as well as information and status of on-going and planned activities under each funding. The lists of funding activities included in this report are:

- Adaptation Fund
- Benefit-sharing Fund of the International Treaty on Plant Genetic Resources for Food and Agriculture
- Climate Investment Fund
- Cool Earth Partnership
- Cooperation Fund for the Water Sector (CFWS)
- Global Environment Facility Trust Fund
- Hatoyama Initiative
- International Climate Fund (formerly ETF-IW)
- Less Developed Country Fund
- Scaling-Up Renewable Energy Program for Low Income Countries
- Special Climate Change Fund
- Strategic Climate Fund
- The Clean Technology Fund
- The Global Energy Efficiency and Renewable Energy Fund (GEEREF)
- The Green Climate Fund (GCF)
- The International Climate Change Fund
- The International Climate Initiative

2. IMPORTANCE OF CLIMATE FINANCING IN THE REGION

a. South Asia (CANSA, APAN 2012)

The rationale for international financing climate actions has been guided by Agenda 21 of the Rio Summit in 1992. In South Asia, this climate finance support would consist of new actions that address the adverse effects of climate change in addition to existing actions required to tackle impacts that deepened due to the climate crisis. Economic growth, poverty alleviation and social welfare are overriding priorities for South Asia. Many South Asian intellectuals claim that ensuring improvements in these areas would result in making the region climate-resilient and, hence, additional resources must be earmarked from climate finance for such actions. This implies that the South Asia region as a whole should get due support from the international community in sharing effort both regionally and nationally. It also implies that the region should advocate that the fund is directly accessible, the fund generated in each time scale is predictable, and the funds are generated automatically and that the scale of resources generated are in place internationally.

According to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC AR4), the South Asian region is a hotspot for major extreme climate events; due to these, a huge loss of economic, human and natural resources is predicted. The combined effect of such losses renders the region a highly vulnerable one. As we have seen, addressing these vulnerabilities would require integrated policymaking at the regional and sub-regional levels covering the region's mitigation and adaptation needs. The illustration below lays down the interconnectedness between mitigation and adaptation actions and their relationship with other socioeconomic parameters in policymaking. Financial support for climate action would therefore mean mainstreaming climate change aspects into the planning and policymaking sphere.

b. Pacific (CCF, 2012)

Pacific Islands Forum Leaders have over the recent years placed particular focus and priority on seeking improved access to and management of, climate change resources for Forum Island Countries. An options paper prepared by the Pacific Islands Forum Secretariat for consideration of Economic Ministers and Leaders in September 2011 contains an initial assessment of several modalities and options to improve access to, and management of, climate changes resources.
Forum Economic Ministers considered the option of preference for budget support while also noting the potential of national trust fund arrangements and regional fund arrangements. They emphasised the importance of drawing on development effectiveness principles and lessons learnt, mainstreaming climate change in to national systems and strengthening public financial management systems. The Forum Leaders welcomed the advice of the Economic Ministers and in addition stressed the importance of establishing the necessary capacity to effectively respond to climate change, which should include capacity supplementation supported by climate change resources.

3. CLIMATE CHANGE AND ADAPTATION RELATED FUND INFORMATION

Climate funding can also be categorised according to the source of funding: Multilateral funding (through UN or Regional Agencies and the World Bank) and bilateral funding (through government agencies, development banks and programmes, or dedicated bilateral initiatives).

3.1 Adaptation Fund

a. Funding Nature: Grants. Originally comprised of two main funds: the Administrative Trust Fund and the Adaptation Fund Trust Fund.

b. Website URL:
http://www.climatefundsupdate.org/listing/adaptation-fund
http://www.adaptationfund.org/system/files/AFB.EFC_.4.10.Rev_.2%20Financial%20Status%20Report.pdf
http://unfccc.int/adaptation/implementing_adaptation/adaptation_funding_interface/items/4638.php

c. Establishment background: The Adaptation Fund is a financial instrument under the UNFCCC and its Kyoto Protocol (KP) and has been established to finance concrete adaptation projects and programs in developing countries that are Parties to the KP in an effort to reduce the adverse effects of climate change facing communities, countries and sectors.

d. Donor/funding source: UNFCCC and KP. The Fund is also to be financed with a share of proceeds from clean development mechanism (CDM) project activities and receive funds from other sources. The share of proceeds amounts to 2% of certified emission reductions (CERs) issued for a CDM project activity. Country sources includes Spain, Finland, France, Germany, investment returns, Japan Monaco Norway, Sweden and Switzerland

e. Purpose: The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce the adverse effects of climate change facing communities, countries, and sectors

f. Target Country: All developing countries Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change including Small Island Developing States, South and Central America, Africa, Asia-Pacific, Least Developed Countries

g. Target Issue: To finance concrete adaptation projects and programs in developing countries. Sectoral focus includes Science, assessment, monitoring and early warning, Tourism, Water, Terrestrial ecosystems, Population & human settlements, Disaster risk reduction, Education and training, Food security, agriculture, Forestry and fisheries, Health, Oceans and coastal areas,

h. Information on application: Eligible Parties are to submit proposals either directly through their accredited National Implementing Entity (NIE) or use the services of Multilateral Implementing Entities (MIEs). All project proposals require the endorsement of the authority which has been designated by the relevant Government to make such endorsements. To apply for funding, the project submission template is to be use

i. Necessary application requirement:

- Eligible Parties can submit project proposals directly to the Adaptation Fund Board and implementing or executing entities chosen by governments that are able to implement the projects funded under the Adaptation Fund can approach the Adaptation Fund Board directly.
- Funding for projects and programmes will be on a full adaptation cost basis to address the adverse effects of climate change.
- Funding for projects and programmes will be available for projects and programmes at national, regional and community levels.
- Short and efficient project development and approval cycles and expedited processing of eligible

3.2 Global Environment Facility Trust Fund

a. Funding Nature: The GEF Trust Fund is the common funding resource of the Global Environment Facility (GEF). Climate Change is one of the six focal areas supported by the GEF Trust Fund. The Conference of Parties to the UNFCCC and the GEF Council agreed in a MOU that the GEF would reports annually to the Conference of Parties all GEF-financed activities carried out in implementing the Convention, whether such activities are carried out by the GEF Implementing Agencies, the GEF Secretariat or by executing agencies implementing GEF-financed projects, in order to meet the requirement of the GEF's accountability to the COP. GEF projects in climate change help developing countries and economies in transition to contribute to the overall objective of the United Nations Framework Convention on Climate Change (UNFCCC).

b. Website URL:
http://www.climatefundsupdate.org/listing/gef-trust-fund

c. Establishment background: The GEF Trust fund was established in 1994, and succeeded the Global Environment Trust Fund (GET) of the pilot phase (1991-1994). The project was restructured in 1992 at the Rio Earth Summit to become independent of the World Bank as a separate agency. At the same time, it became the designated financial mechanism for the UN Convention on Biological Diversity (CBD) and the UN Framework Convention on Climate Change. The GEF Trust Fund is divided into 4 year periods of funding:
GEF-1:1994-1998
GEF-2:1998-2002
GEF-3:2002-2006
GEF-4:2006-2010
GEF-5:2010-2014

d. Donor/funding source: The GEF Trust Fund has 39 donors that have committed funds. They are Argentina, Australia, Austria, Bangladesh, Belgium, Brazil, Canada, China, Côte d'Ivoire, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, India, Indonesia, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Mexico, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Portugal, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

e. Purpose: The objective of this part of the fund is to help developing countries and economies in transition to contribute to the overall objective of the United Nations Framework Convention on Climate Change (UNFCCC). The projects support measures that minimize climate change damage by reducing the risk, or the adverse effects, of climate change

f. Target Country: Developing countries and countries with economies in transition

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g. Target Issue: The projects support measures that minimize climate change damage by reducing the risk, or the adverse effects of climate change by supporting projects in Climate Change Mitigation and Climate Change Adaptation. The GEF trust fund's climate change focal area supports the following activities:

- New Low-GHG Energy Technologies
- Sustainable Transportation
- Adaptation
- Enabling Activities, National Communications and other obligations under the UNFCCC
- Renewable Energies
- Energy Efficiency

h. Information on application: GEF grants made available within the framework of the financial mechanisms of the UNFCCC should be in conformity with the eligibility criteria decided by the Conference of the Parties

i. Necessary application requirement: GEF funding is in accordance with the following eligibility criteria:

- A country is an eligible recipient of GEF grants if it is eligible to borrow from the World Bank or if it is an eligible recipient of UNDP technical assistance through its country Indicative Planning Figure (IPF).
- GEF concessional financing in a form other than grants that is made available within the framework of the financial mechanism of the conventions shall be in conformity with eligibility criteria decided by the Conference of the Parties of each convention. GEF concessional financing in a form other than grants may also be made available outside those frameworks on terms to be determined by the Council.

3.3 Special Climate Change Fund

a. Funding Nature: The SCCF was created in 2001 to address the special needs of developing countries under the UNFCCC. The SCCF funds are disbursed in the form of grants, which are considered official development assistance (ODA). Within the scope of the eligible sectors for project development, the activities supported include at least two of the following: integration of climate change risk reduction strategies, policies, and practices into specific sectors; implementation of adaptation measures; institutional and constituency capacity building, and awareness raising. Moreover, the projects must have additional sources of co-financing (or a plan for obtaining said funding), as the SCCF grants do not completely fund projects but should act to catalyse other sources of financing.

b. Website URL:
http://www.climatefundsupdate.org
http://unfccc.int/cooperation_and_support/financial_mechanism/special_climate_change_fund/items/3657.php
http://climate-l.iisd.org/news/donors-discuss-special-climate-change-fund

c. Establishment background: The SCCF was created in 2001 to address the special needs of developing countries under the UNFCCC established under the Convention in 2001 to finance projects relating to adaptation; technology transfer and capacity building; energy, transport, industry, agriculture, forestry and waste management; and economic diversification

d. Donor/funding source: Canada, Germany, Netherlands, Denmark, Spain, Ireland, Norway, Finland, Italy, Sweden, Switzerland, United Kingdom, United State and Portugal

e. Purpose: The overall objective of the fund is to implement long-term adaptation measures that increase the resilience of national development sectors to the impacts of climate change. The SCCF is to serve as a catalyst to leverage additional resources from bilateral and other multilateral sources. Currently, the objective of the SCCF is to support adaptation and technology transfer projects and programs that:

- are country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies; and,
- take into account national communications or NAPAs and other relevant studies and information provided by the Party.

f. Target Country: All Non-Annex 1 countries are eligible to apply. However, geographical emphasis is given to the most vulnerable countries in Africa, Asia, and the Small Island Developing States (SIDS). The project size can be small, medium or large.

g. Target Issue: The SCCF has four different windows:

- Adaptation
- Transfer of technologies
- Energy, transport, industry, agriculture, forestry, and waste management
- Activities to assist developing countries whose economies are highly dependent on income generated from the production, processing, and export or on consumption of fossil fuels and associated energy-intensive products in diversifying their economies

h. Information on application: SCCF project proponents contact the in-country focal point to ensure that their activity aligns with the adaptation priorities of the country. Then a Project Identification Form (PIF) is completed and submitted to the GEF Secretariat for approval. Once a PIF is then cleared by the GEF Council, a project preparation grant is awarded to the proponent in order to being the first phases of readying the adaptation intervention. Approved PIFs are then submitted to the biannual GEF Council meetings for inclusion in a work program and a Program Framework Document (PFD), which is sent to the GEF CEO for endorsement. The final stages of the project cycle, after CEO endorsement, are the implementation, monitoring and evaluation by the selected GEF Agency (for example UNDP) in consultation with the project proponent.

i. Necessary application requirement: All Non-Annex 1 countries are eligible to apply. However, geographical emphasis is given to the most vulnerable countries in Africa, Asia, and the Small Island developing States (SIDS). The project size can be small, medium or large. Furthermore, activities must focus on 'additional costs' imposed by climate change on the development baseline. Funding is provided only to address impacts of climate change on a vulnerable socio-economic sector that are above and beyond the baseline.

3.4 Less Developed Country Fund

a. Funding Nature: The fund addresses the special needs of the 49 LDCs which are especially vulnerable to the adverse impacts of climate change. As a priority, the LDCF supports the preparation and the implementation of the National Adaptation Programs of Action (NAPAs), country-driven strategies which identify urgent and immediate needs of LDCs to adapt to climate change.

b. Website URL:
http://www.climatefundsupdate.org/listing/least-developed-countries-fund
http://www.thegef.org/gef/trust_funds
http://unfccc.int/cooperation_support/least_developed_countries_portal_/ldcf_napa_projects/items/5632.php

c. Establishment background: The Least Developed Countries Fund was established to support a work programme to assist Least Developed Country Parties (LDCs) carry out, inter alia, the preparation and implementation of national adaptation programmes of action (NAPAs). The Conference of the Parties, at its eleventh session (COP 11), agreed on provisions to operationalize the LDCF to support the implementation of NAPAs. In particular, the COP provided guidance with regards to priority areas and provisions on full-cost funding and co-financing scale

d. Donor/funding source: Australia, Austria, Belgium, Canada. Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United State.

e. Purpose: The fund addresses the special needs of the 49 LDCs which are especially vulnerable to the adverse impacts of climate change. As a priority, the LDCF supports the preparation and the implementation of the National Adaptation Programs of Action (NAPAs), country-driven strategies which identify urgent and immediate needs of LDCs to adapt to climate change.

f. Target Country: As of May 2011, some of the Adaptation project approved include: Adaption in the coastal zones of Mozambique in 2010 ($4.430 21.609 UDS); Building adaptive capacity and resilience to climate change in Afghanistan ($5.500 USD); Community based adaptation to climate change through coastal afforestation in Bangladesh ($10.890 USD); Integrated adaptation programme to combat the effects of climate change on agricultural production and food security in Benin ($11.819 USD); Reducing climate change-induced risks and vulnerabilities from glacial lake outbursts in the Punhakha-Wangdi and Chamkhar Valleys in Bhutan ($8.273 USD); Strengthening adaptation capacities and reducing the vulnerability to climate change in Burkina Faso ($23.445USD); Enhancing climate risk management and adaptation in Burundi ($19.324 USD); Promoting capacities-resilient water management and agricultural practices in rural Cambodia ($4.485 USD).

g. Target Issue: Adaptation and Mitigation in general

h. Necessary application requirement: All Least Developed Countries are eligible. However, proposals submitted for funding under the LDCF are reviewed in light of agreed project criteria, drawn from the COP guidance. These criteria include country ownership; program and policy conformity; financing; institutional coordination and support; and monitoring and evaluation. For purposes of the LDCF, these criteria will be understood as follows

3.5 Strategic Climate Fund

a. Funding Nature: The SCF is an umbrella vehicle for the receipt of donor funds and disbursements to specific funds and programmes aimed at piloting new development approaches or scaling up activities aimed a specific climate change challenge or sectoral response. There are three funds under the SCF framework: the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP) and the Scaling Up Renewable Energy in Low Income Countries Program (SREP).

The CIFs have been designed to support low-carbon and climate-resilient development through scaled-up financing channelled through the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank Group.

b. Website URL:
http://www.climatefundsupdate.org/listing/strategic-climate-fund

c. Establishment background: The fund was first proposed in February 2008. On May 30, 2008, in Potsdam, Germany, the multilateral development banks (MDBs), developed and developing countries and other development partners reached an agreement on the design and establishment of the SCF. The Strategic Climate Fund (SCF) is one of the two (along with the Clean Technology Fund) multi-donor Trust Funds within the Climate Investment Funds (CIFs). The fund was made operational and approved by Executive Directors of the World Bank on July 1, 2008, with a donors pledge meeting on September 26, 2008.

d. Donor/funding source: Australia, Canada. Denmark, Germany, International Climate Fund, International Forest Carbon Initiatives, Japan, Netherlands, Norway, Republic of Korea, Spain, Sweden, Switzerland, United State

e. Purpose: The SCF is quite broad and flexible in its scope and will serve as an overarching fund for various programs to test innovative approaches to climate change. The SCF is an umbrella vehicle for the receipt of donor funds and disbursements to specific funds and programmes aimed at piloting new development approaches or scaling up activities aimed a specific climate change challenge or sectoral response. The objectives of the SCF are:

- promote international cooperation on climate change and support progress towards the future of the climate change regime;
- provide experience and lessons in responding to the challenge of climate change through learning-by-doing;
- promote and channel new and additional financing for addressing climate change through targeted programs to be established as part of the SCF or through separate funds like the CTF or other funds addressing climate change, such as the Forest Carbon Partnership Facility;
- utilize the skills and capabilities of the MDBs to raise and deliver concessional climate financing at a significant scale to unleash the potential of the public and private sectors to achieve meaningful reductions of carbon emissions and greater climate resilience;
- provide incentives for scaled-up action and transformational action (both mitigation and adaptation) and for solutions to the climate change challenge and poverty reduction in developing countries, consistent with poverty reduction and sustainable development strategies that are robust to climate change;
- provide incentives to maintain, restore and enhance carbon-rich natural ecosystems to prevent these carbon sinks from becoming sources of increased emissions, and to enhance all the services they provide, including climate resilience or adaptive capacity, and thereby support sustainable development;
- complement other multilateral financial mechanisms, such as the Global Environment Facility (GEF) and the Adaptation Fund, and bilateral sources of financing and seek co-financing where appropriate; and
- maximize co-benefits of sustainable development, particularly in relation to the conservation of biodiversity, natural resources ecosystem services and ecological processes

f. Target Issue: Forest Investment Program (FIP), the Pilot Program for Climate Resilience (PPCR), and Scaling Up Renewable Energy in Low Income Countries Program (SREP).

g. Information on application: Guidelines for accessing financing are finalized by the program sub-committees or through the respective multi stakeholder design process. Implementation will be undertaken utilizing the core processes of the MDBs. While the Trust Fund Committee or sub-committees may decide on the programming priorities and financing modalities for the SCF, the development and management of individual funded projects and programmes will be country-led.

h. Neccessary application requirement: Criteria for eligibility of recipient countries will be established by each of the SCF Program Sub-Committees.

i. Past result of operation: Within the framework of the SCF, targeted programs with dedicated funding (known as the 'SCF Programs') are being established to provide financing to pilot new development approaches or scaled-up activities aimed at a specific climate change challenge or sectoral response.

- The Pilot Program for Climate Resilience (PPCR) is the first Program under the SCF. It will provide incentives for scaled-up action and transformational change through pilot projects that demonstrate ways to integrate climate risk and resilience into core development planning, while complementing other on-going development activities in a given country.
- The Forest Investment Program will mobilize significantly increased investments to reduce deforestations and forest degradation and promote improved sustainable forest management, leading to emission reductions and the protection of carbon reservoirs.
- The Program for Scaling-Up Renewable Energy in Low Income Countries (SREP), is within the framework of the Strategic Climate Fund (SCF). The SREP will demonstrate the economic social and environmental viability of low carbon development pathways in the energy sector by creating new economic opportunities and increasing energy access through the use of renewable energy.

3.6 The Clean Technology Fund

a. Funding Nature: The Clean Technology Fund (CTF) is one of the two (along with the Strategic Climate Fund) multi-donor Trust Funds within the Climate Investment Funds (CIFs). The CIFs have been designed to support low-carbon and climate-resilient development through scaled-up financing channelled through the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank Group. The CTF aims to support the rapid deployment of low-carbon technologies on a significant scale, with the objective of cost-effective reductions in the growth of greenhouse gas emission. The fund was made operational as approved by the World Bank Board of Directors on July 1, 2008

b. Website URL:
http://www.climatefundsupdate.org/listing/clean-technology-fund

c. Establishment background: The Clean Technology Fund (CTF) is one of the two (along with the Strategic Climate Fund) multi-donor Trust Funds within the Climate Investment Funds (CIFs). The CIFs have been designed to support low-carbon and climate-resilient development through scaled-up financing channelled through the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank Group

d. Donor/funding source: Australia, France, germany, international climate fund, Japan, Spain, Sweden, United State

e. Purpose: The CTF aims to support the rapid deployment of low-carbon technologies on a significant scale, with the objective of cost-effective reductions in the growth of greenhouse gas emissions, through transformational actions by:

- Providing positive incentives for the demonstration of low carbon development and mitigation of greenhouse gas emissions through public and private sector investments;
- Promoting scaled-up deployment, diffusion and transfer of clean technologies by funding low carbon programs and projects that are embedded in national plans and strategies to accelerate their implementations;
- Promoting realization of environmental and social co-benefits thus demonstrating the potential for low-carbon technologies to contribute to sustainable development and the achievement of the Millennium Development Goals;
- Promoting international cooperation on climate change and supporting agreement on the future of the climate change regime;
- Utilizing skills and capabilities of the MDBs to raise and deliver new and additional resources, including official and concessional funding, at significant scale; and
- Providing experience and lessons in responding to the challenge of climate change through learning-by-doing.

f. Target Country: Africa, Asia, Europe, North Ameria, South America. Funded projects include among others the Philippines susutainable enrgy finance program withn an approved funding of $10.00mn in 2011, South Africa energy effeciency program, for $15.00mn in 2010, South Africa sustainable energy acceleration program, for $85.00mn, in 2010, Thailand's renewable Energy Accelerator Program, for $40.00mn in 2010, Turkey's Private Sector renewable Energy and Energy Effeciency Project for $100.00mn and Ukrain's Renewable s Direct Lending Facility for $27.00mn

g. Target issue: The thematic focus is being directed toward adaptation, mitigation or REDD projects

h. Information on application: The Clean Technology Fund will invest in projects and programs that contribute to demonstration, deployment and transfer of low carbon technologies with a significant potential for long term greenhouse gas emissions savings. As country circumstances differ, investment programs will be developed on a country-specific basis to achieve nationally-defined objectives. Options include programs and large-scaled projects

i. Necessary application requirement: Country access will be based on:

- ODA-eligibility (according to OECD/DAC guidelines); and
- an active multilateral development bank (MDB) country program

3.7 International Climate Fund (formerly ETF-IW)

a. Funding Nature: At the G8 summit in July 2008, the ETF-IW was launched to help capitalise the World Bank-administered Climate Investment Funds (CIFs), the Forest Carbon Partnership Facility (FCPF) and the Congo Basin Forest Fund (CBFF). The ICF has been made operational in 2011 to be managed by a high level cross-departmental project team with representation from the Department for International Development (DFID), the Department for Environment and Climate Change (DECC) and the finance ministry (Her Majesty's Treasury). The Department for Environment, Food and Rural Affairs (DEFRA) will also be involved in decisions on the use of the International Climate Fund for forestry

b. Website URL:
http://www.climatefundsupdate.org/listing/international-climate-fund

c. Establishment background: The International Climate Fund (ICF) is a UK initiative. It is an across-departmental fund established by the UK 2010 Comprehensive Spending Review. It follows on from the Environmental Transformation Fund – International window (ETF-IW) to provide climate change related aid over the period 2011-12 to 2014-15. It is planned that the International Climate Fund will account for 7.5 per cent of UK Official Development Assistance (ODA) by the end of the Spending Review period (2014-15).

d. Donor/funding source: United Kingdom

e. Purpose: The ETF-IW supported development and poverty reduction through environmental protection, and helped poor countries respond to climate change with the following objectives:

- Contribute to a successful global deal on climate change:
  - By generating experience to inform, support and influence the development and implementation of an efficient, effective and equitable financing framework as part of a new global deal.
  - By raising ambition, capacity and confidence in developing countries.
- Transform the way in which developing countries approach climate change, by piloting financial approaches which demonstrate how low carbon growth and climate resilience are compatible with countries' overall development paths.
- Contribute to the international institutional reform agenda by putting climate resilient development and low carbon growth at the heart of the work of the multilateral development banks.
- Support strategic coordination and coherence across the international financing system for climate change by providing a forum for discussions between donors and recipients about appropriate financing mechanisms and tools for low carbon and climate resilient development.
- Leverage additional finance from other donors and the private sector for climate change.
- Maximise co-benefits in poverty reduction and sustainable management of natural resources.

f. Target Country: Mainly the developing countries

g. Target Issue: To tackle climate change by supporting low carbon growth and adaptation in developing countries

h. Necessary application requirement: Country access to the Climate Investment Funds will be based on:

- ODA-eligibility (according to OECD/DAC guidelines);
- An active multilateral development bank (MDB) country program.

3.8 The Global Energy Efficiency and Renewable Energy Fund (GEEREF)

a. Funding Nature: The investment will include a broad mix of project types promoting energy efficiency and renewable energy technologies. Given the focus on developing countries and transitions economies, the emphasis will be placed on deploying technologies with a proven technical track record. The majority of the Fund will be used to provide risk capital to different types of sub-fund investments. In addition, the fund will include a technical assistance facility. This will amount to 10%-20% of the total fund size depending on the actual needs for capacity building which is likely to be larger in less developed economies.

b. Website URL: http://www.climatefundsupdate.org/listing/geeref

c. Establishment background: The Global Energy Efficiency and Renewable Energy Fund (GEEREF) were proposed in 2006 by the European Commission. It was publicly announced at the Global Climate Conference in Bali in December 2007 the fund was made operational in November 2008. It is a Public-Private Partnership (PPP) designed to maximise the leverage of public funds. Structured as a Fund-of-Funds, GEEREF invests in private equity funds (sub-funds) that specialise in providing equity finance to small and medium-sized project developers and enterprises (SMEs). Energy efficiency and renewable energy projects will be implemented in developing countries and economies in transition.

d. Donor/funding source: European Union, Germany and Norway

e. Purpose:

- Obtain benefits from accelerated deployment of energy efficiency and renewable energy technologies.
- Achieve high leverage of public finance by offering preferential returns to private funds.
- Achieve high degree of financial sustainability.

f. Target Country: Developing countries and Countries in transition

g. Target Issue: Part of investment comprises:

- Small hydro and biomass with on-shore wind also offering significant potential.
- Confirming solutions (e.g. co-firing coal and bagasse)
- Manufacturing, energy service, trading and micro finance ventures
- Photo-voltaic only for middle and high-income contexts because too costly.

h. **Necessary application requirement:** Focus on project funding in countries that have private sector engagement in their national policies. Furthermore projects that have a budget under EUR10 million are prioritized since these are often disregarded by private investors. Sub-funds that are eligible for GEEREF financing could be envisaged for the African, Caribbean and Pacific (ACP) region, North Africa, non-EU Eastern Europe, Latin America and Asia, with a prevailing geographical focus on ACP countries. The projects have to be placed in a country eligible for Overseas Development Assistance (ODA).

3.9 The International Climate Initiative

a. **Funding Nature:** The ICI has initially focused on a number of countries that have a high potential for emissions reduction in view of their significant and sharply rising greenhouse gas emissions. Innovative projects are also being supported in other selected countries and regions. Furthermore, projects targeting valuable carbon sinks with high levels of biodiversity (such as in the Amazon region, the Congo Basin and South-East Asia) will receive support. Existing structures of development cooperation will be used for the implementation of projects, with GTZ and KfW playing a key role in project identification and implementation. Projects will complement existing development cooperation with respect to climate change and energy policies, without being limited to certain sectoral or regional focuses or priorities.

b. **Website URL:** http://www.climatefundsupdate.org/listing/international-climate-initiative

c. **Establishment background:** The International Climate Initiative (ICI) of the German Government. Known as the International Climate Protection Initiative until December 2008, fund was made operational the fourth quarter of 2008. The International Climate Initiative (ICI) is an innovative, international mechanism for financing climate protection projects. It receives funding from the sale of tradable emission certificates. The overall objective of the fund is to provide financial support to international projects supporting climate change mitigation, adaptation and biodiversity projects with climate relevance

d. **Donor/funding source:** Germany

e. **Purpose:** The German ICI will provide financial support to international projects supporting climate change mitigation, adaptation and biodiversity projects with climate relevance. It aims to ensure that such investments will trigger private investments of a greater magnitude. It also aims to ensure that financed projects will strategically support the post-2012 climate change negotiations. For this purpose, it will support multilateral activities and funds focusing on adaptation and forest management.

f. **Target Country:** Countries of Africa, Asia, North America, Oceania, South America and Europe

g. Target issue: thematic focus is being directed toward adaptation, mitigation or REED project

h. Information on application: Projects are selected in a two stage procedure. In the first stage, project outlines submitted by applicants are appraised. In the second stage, applicants who have submitted promising project outlines are requested to submit a formal application for funding. The funding decision is taken on the basis of the final assessment of that application by the Federal Ministry for the Environment, Nature Conservation and Nuclear safety

i. Necessary application requirement: The ICI has initially focused on a number of countries that have a high potential for emissions reduction in view of their significant and sharply rising greenhouse gas emissions. Innovative projects are also being supported in other selected countries and regions. Furthermore, projects targeting valuable carbon sinks with high levels of biodiversity (such as in the Amazon region, the Congo Basin and South-East Asia) will receive support
Project proposals can be submitted by implementing organisations of German development cooperation, and by non-governmental and governmental organisations, universities and research institutes, private-sector companies, multilateral development banks, and organisations and programmes of the United Nations.

3.10 Scaling-Up Renewable Energy Program for Low Income Countries

a. Funding Nature: The Scaling-Up Renewable Energy Program for Low Income Countries (SREP) is administered by the World Bank in which the date the fund was made operational was December 14, 2009

b. Website URL:
http://www.climatefundsupdate.org/listing/scaling-up-renewable-energy-program

c. Establishment background: The Scaling-Up Renewable Energy Program for Low Income Countries (SREP) is a program under the Strategic Climate Fund (a multi-donor Trust Fund within the Climate Investment Funds). Its overall objective, which is under development, is to support investments in a small number of low income countries for energy efficiency, renewable energy and access to modern sustainable energy.

d. Donor/funding source: Denmark and Strategic Climate Fund

e. Purpose:

- Serve as a model in assisting low income countries to foster a transformational change to low carbon pathways by exploiting renewable energy potential
- Overcome economic and non-economic barriers to scale up private sector investments to achieve SREP objectives
- Highlight economic, social and environmental co-benefits of RE programs

- Enable blended financing from multiple sources to enable scaling up of RE programs
- Facilitate knowledge sharing and exchange of international experience and lessons

f. Target Country: For the selection of country and regional pilots, the following criteria would be considered by the Sub Committee

- a country's willingness to meet the criteria and to achieve the objectives of the SREP

a country's potential and capacity to implement a SREP program.

- a country's potential and capacity to implement a SREP program.
- However, low income countries that are eligible for MDB concessional financing (i.e., IDA or its regional development bank's equivalent) would receive priority in selecting pilot countries (or regions) to access SREP resources.

g. Target Issue: Low carbon pathways, by financing renewable energy generation and use of energy using proven "new" renewable energy technologies

h. Information on application: Eligible new renewable energy applications comprise of:

- Grid and off-grid electricity applications including small hydro or biomass-based power, wind and solar powered systems, and geothermal. Financing would be available for renewable electricity generation and use, and for transmission and distribution grids needed to evacuate/use renewable electricity;
- Cooking and heating applications including sustainable community forests, improved cook stoves, geothermal heating, and biogas or other renewable-based fuels.

i. Necessary application requirement: SREP would pilot programmatic interventions in selected low income countries that greatly increase the use of renewable energy to support economic development and improve access to modern, clean energy. Building on this aim and the insights above, several key SREP priorities and design principles could be proposed for further consideration:

- Be country-led, with delivery targeted through a designated national authority. This would enable the full integration of SREP to the national energy plan, and allow it to build on, and draw benefit from, national policies.
- Take a programmatic and outcome-focused approach for investing in renewable energy as an alternative to conventional energy sources such as coal or oil. An "SREP program" in a pilot country would be comprised of renewable energy investments and technical assistance, together with support for policy changes to greatly increase the use of renewable energy.
- Commit sufficiently high levels of SREP funding and leverage significant additional financing from MDBs and the private sector to achieve large scale renewable energy impacts.
- Work in a smaller number of low income countries, selected using robust, objective criteria to maximize the impact and the demonstrative effect of SREP.
- Utilize the transformational potential of the private sector and civil society groups to achieve economic development and support long-term social and environmental sustainability.

- Give priority to renewable energy investments that create 'value added' in local economies, by targeting renewable energy technologies that allow for the generation and productive use of energy.
- Seek wider co-benefits, such as improved climate resilience, reduced local pollution and increase energy security.

3.11 Hatoyama Initiative

a. Funding Nature: The Hatoyama Initiative is not a fund. Rather, it is an initiative which covers all of Japan's activities relating to climate change, administered by Japanese Ministry of Finance. The Initiative is comprised of several agencies across both public and private investors:

- JICA - the Japanese International Cooperation Agency
- JBIC - the Japanese Bank for International Cooperation
- NEXI - the Nippon Export and Investment Insurance agency, which provides trade insurance
- private sector financial institutions and investors

b. Website URL: http://www.climatefundsupdate.org/listing/hatoyama-Initiative

c. Establishment background: The Hatoyama Initiative, is a national carbon-regulation scheme, announced at the Copenhagen Summit in December 2009 (COP15) by the former Prime Minister of Japan Yukio Hatoyama, that targets a 25 percent cut in global warming emissions below 1990 levels by 2020. It replaces the Cool Earth Partnership, a previous (2008-2010) initiative of the government of Japan. The Hatoyama Initiative aims to provide assistance to developing countries that are already making efforts to reduce greenhouse gas emissions to enable them to achieve economic growth in ways that will contribute to climate stability, on the basis of policy consultations between Japan and those countries.

d. Donor/funding source: Japan

e. Purpose: The objectives of the Hatoyama Initiative are as follows:

- Leverage for the establishment of a fair and effective international framework in which all major economics participate
- Assistance on technology transfer aiming to establish new mechanisms which can properly evaluate the contribution of Japanese companies.

f. Target Country: Intended beneficiary countries are nations tackling climate change and vulnerable nations and its negotiation position (including the Copenhagen Accord)

g. Target Issue: Adaptation Mitigation – REDD

h. Necessary application requirement: Disbursement of funds is dependent on bilateral policy consultations with Japan, with the intent of reaching a common understanding of policies regarding climate change (e.g. reducing greenhouse gas emissions and achieving economic growth in a way that will contribute to climate stability).

3.12 The International Climate Change Fund

a. Funding Nature: The International Climate Change Fund would require all nations to pay for their current greenhouse gas (GHG) emissions, or "flow" emissions. In addition to these payments, developed nations would also be required to pay for their historical, or "stock," GHG emissions. The generated revenue would be placed into an international trust fund. Revenues would be used to finance clean technology research and investments and to purchase this technology for developing nations.

b. Website URL: http://climatelab.org/International_Climate_Change_Fund

c. Establishment background: The International Climate Change Fund is a proposed alternative to the current international climate change agreement set by the Kyoto Protocol. The Climate Change Fund resemble an international version of the United States' Superfund program where companies in heavily polluting industries are required to pay into a trust

d. Donor/funding source: The Fund involves all nations, thus fostering a truly global effort to mitigate climate change.

e. Purpose: Unlike other funds, the International Climate Change Fund would serve as the primary mechanism for an international climate change agreement. The generated revenue would be placed into an international trust fund. Revenues would be used to finance clean technology research and investments and to purchase this technology for developing nations

f. Target Country: Developing Countries

g. Target Issue: The fund is to finance clean-ups at abandoned hazardous waste sites. The Climate Change Fund, which would be used to promote and subsidize low-carbon technologies in order to mitigate, or "clean-up," climate change.

3.13 Cool Earth Partnership

a. Funding Nature: Loans, technical assistance

b. Website URL: unfccc.int/adaptation/implementing_adaptation/adaptation_funding_interface/items/4884.php

c. Establishment background: The Cool Earth Partnership is funded by the Government of Japan. Starting in 2009, Japan will provide funds amounting approximately to US$ 10 billion (JPYen 1,250 billion) in aggregate over the next five years. Assistance will be provided to developing countries, which are vulnerable to the adverse effects of climate change (e.g. African and Pacific island counties), to take adaptive measures (e.g. measures against disasters related to climate change (including disaster prevention) such as droughts and floods, planning of adaptation measures). Grant aid, technical assistance and aid through international organizations will be provided to address the needs in developing countries. A new scheme of grant aid, "Program Grant Aid for Environment and Climate Change", will be created as a component of this package. In the context of improved access to clean energy, feasibility study on rural electrification projects with geothermal energy and "co-benefit" projects that address climate change will be conducted.

d. Donor/funding source: Government of Japan

e. Purpose: The objectives of this Fund are:

- to assist developing countries, which are vulnerable to the adverse effects of climate change (e.g. African and Pacific island counties), to take adaptive measures (e.g. measures against disasters related to climate change (including disaster prevention) such as droughts and floods, planning of adaptation measures)
- to promote economic development through utilizing clean energy in developing countries which has insufficient access to modern energy supply (e.g. electrification of rural communities by introduction of solar power generation and small-scale hydro energy)
- to mitigate effects of global warming by reducing GHGs emission (e.g. improvement of energy efficiency of electric power plants)

f. Target Country: Africa, Asia-Pacific, South and Central America, Small Island Developing States, Least Developed Countries

g. Target Issue: Food security, agriculture, forestry and fisheries; water; population and human settlements

h. Past result of operation: Climate Change Program Loan (Cool Earth Program Loan), on which the Government of Japan and the Government of Indonesia agreed, is the first case of Climate Change-related ODA loan up to the total amount of 300 million U.S. dollars with special preferential interest rate based on the Cool Earth Partnership. The Indonesian Government has made its full efforts to address climate change issues with formulating the National Action Plan Addressing Climate Change which includes targets and action plans various sectors, including the Water Resource Management Sector. In order to optimally develop watershed management that is well adapted for climate change effects, measures will be taken as follows: (1) Formulation of the Integrated Water Resource Management Plan (2) Establishment of National Water Council which coordinates various interests among stakeholders and functions as the centre point in formulating the facility-building plan.

3.14 Climate Investment Fund

a. Funding Nature: The Climate Investment Funds (CIF) is disbursed through the Multilateral Development Banks (MDBs) to support effective and flexible implementation of country-led programs and investments. The funds are designed to complement existing bilateral and multilateral financial mechanisms and, as such, their operations are coordinated with the programs of other financial institutions. The CIF are channelled through the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank Group

b. Website URL: http://www.climateinvestmentfunds.org/cif

c. Establishment background: These are a pair of funds to help developing countries pilot low-emissions and climate-resilient development. With CIF support, 45 developing countries are piloting transformations in clean technology, sustainable management of forests, increased energy access through renewable energy, and climate-resilient development.

d. Donor/funding source: The Climate Investment Funds are a unique set of financing instruments that give developing countries an urgently needed jump-start toward achieving climate-smart development. The CIF is designed to deliver strong development outcomes as well as strong climate outcomes. Through two distinct funds implemented by the Multilateral Development Banks (MDBs), the CIF support developing countries' efforts to mitigate and manage the challenges of climate change by providing grants, concessional funds, and risk mitigation instruments that leverage significant financing from the private sector, MDBs, and other sources.

e. Purpose: CIF resources are available through MDBs to assist developing countries fill financing gaps in supporting efforts aimed at climate mitigation or strengthened resilience to climate change impacts.

f. Target Issue: Supports climate mitigation or strengthened resilience to climate change impacts.

3.15 Global Climate Change Alliance

a. Funding Nature: The GCCA does not intend to set up a new fund or governance structure, but will work through the European Commission's established channels for political dialogue and cooperation at national and international level. The fund will be administered by the European Commission's Co-operation Office: EuropeAid.

b. Website URL: http://www.climatefundsupdate.org/listing/global-climate-change-alliance

c. Establishment background: The Global Climate Change Alliance (GCCA) is an initiative of the European Union. Its overall objective is to build a new alliance on climate change between the European Union and the poor developing countries that are most affected and that have the least capacity to deal with climate change.

d. Donor/funding source: Cyprus, Czech Republic, EC Fast Start Funding, European Union, Ireland and Sweden

e. Purpose: The purpose of the Global Climate Change Alliance (GCCA) is to deepen dialogue and step up cooperation with partners on Climate Change (CC). The specific objectives are:

- To provide a platform for dialogue and exchange that will help countries to integrate development strategies and climate change and provide a basis for a converged post-2012 climate change agreement
- Help countries participate in global climate change mitigation activities that contribute to poverty reduction.
- Provide technical and financial support that targets five priority areas and related actions: (a) adaptation to climate change, (b) reducing emissions from deforestation, (c) enhancing the participation of poor countries in the CDM, (d) promoting disaster risk reduction, and (e) integrating climate change into poverty reduction efforts.

f. Target Country: Countries of Asia, Africa, North America, Oceania, South America

g. Target Issue: Adaptation, Multiple foci

h. Information on application: The GCCA provides support to poor developing countries, particularly the Least Developed Countries (LDCs) and Small Island Development States (SIDS). There are more than seventy countries in these categories. The initiative will support the adaptation to climate change through specific projects (implemented on joint management with international or regional organizations, financing agreement with partner governments, contribution to multi-donors pool fund, etc) or will provide sector or general budget support, according the target country specific framework.

i. Necessary application requirement: The following broad criteria were established to select these countries:

- The country is a LDC and/or SIDS, i.e. the primary target group of the GCCA.
- The country should have national and/or sectoral climate change policies in place or has expressed its intention of preparing them to ensure the integration of climate change into development strategies, plans and budgets.
- The government is keen to enhance policy dialogue and cooperation on climate change with the EU.

Gap Analysis Related to Adaptation Finance

- The country has ideally already received, or is in the process of preparing for receiving, (General/Sectoral) Budget Support through the European Commission and/or other donors. Whilst the idea of the GCCA is to add adaptation-related funding to existing budget support programmes, the existence thereof is not a precondition for support under the GCCA. Where this aid modality is not used (or where its use in the area of climate change adaptation is not possible or beneficial in the short term), other means of support can be identified with the partner government.
- There is an EC Delegation with sufficient capacity to prepare and follow up implementation of the GCCA programme. Ideally, the country has already established dialogue on environmental/climate issues with the European Commission or donors more widely.
- The country should preferably be involved and be politically active in the negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) and in this sense serve as a model for other countries in its group/region.
- Further elements to identify countries and priority areas of intervention could be of a more technical nature, e.g. the hazard profile of the country (exposure to risk, adaptive capacity, climate data availability and projected climate changes).

4. CLIMATE FINANCCE GAPS AND NEEDS

A global agreement on the support and effort-sharing mechanism has not yet been developed, despite the strong promise. This has become more difficult as developed countries supposed to financially support developing country climate actions have themselves been facing economic loss and budgetary constraints. The current debate on climate finance emanates from the lack of understanding of what qualifies for climate finance or, more narrowly, climate action. The absence of an internationally accepted definition of climate finance has resulted in ambiguity in identifying programmes and actions to be qualified for climate financing, which is important for assessing both support and demand of finance for climate actions. This has led to differences between developed and developing countries (CANSA, APAN 2012). Progress in the negotiations has therefore been slow, and a trust deficit has therefore been created between countries. This is because developing countries seek that support for climate actions must be new, and additional to existing development support. However, as 'climate finance' is not clearly defined, the existing funds for support may be diverted. This analysis is based on the broad classification of climate finance (CANSA, APAN 2012):

- Financial flows from developed to developing countries for mitigation and adaptation activities, including R&D and capacity building, as well as broader efforts that enable the transition to low-carbon, climate-resilient development.
- Financial flows from developing to developing countries for climate actions mentioned above (South-South cooperation).
- Financial flows from developed to developed countries for climate actions mentioned above (North-North cooperation).
- Domestic financial flows for climate actions in developed and developing countries of the world.

- Incremental cost and investment capital. Understanding the incremental cost in a climate action would help determine the additional part of resources required.

Also the climate finance mechanism must ensure that no conditionality attached to the financial support truncates regional development policy or its MDG goals as most climate actions overlap with development actions.

5. PRINCIPLES OF CLIMATE FINANCE

The global climate justice community agrees that climate finance must be:

- Public
- Obligatory and predictable
- Impose no conditionality on developing countries
- New and additional to existing financial commitments
- Channelled through a financial architecture under the authority of the UNFCCC, and
- It should generate external debt

Many of these points are also enshrined in the Kyoto Protocol and in follow-up ministerial agreements; for example, the Bali Action Plan sets out that funding must be adequate, predictable, sustainable and additional as given below in details:

a) Adequate – The sources of climate finance have to be diversified, as it is unlikely that a single source will provide the funding required. Therefore, proposals maybe adjudged adequate if they can provide over $30 billion per year for developing-country climate finance (regardless of the amount raised for other purposes) or if they combine well with other major proposals to provide some additional contribution.

b) Predictable - Finance flows must be predictable so that governments and CSOs can make the most use of them. Recipients need predictability to plan and to build programmes and systems that require regular payments on staff and other fixed costs. Predictability requires that the revenue contribution cannot easily be evaded and that it is constant and does not decrease.

c) Public – Northern governments are responsible for raising funds to meet climate finance obligations and obtain reparations from Northern private corporations and international institutions they can influence.

d) Equitable – Developed countries are responsible for the global climatic mess through centuries of unsustainable and unregulated fossil fuel-based growth. This has severely limited the atmospheric space left for countries of the global South to develop and cause severe climate impacts; impoverished people in the South are the most affected.

e) Simple and Accountable – Revenue raising mechanisms should be simple and accountable so that all can easily see how much money is being generated from what sources and how enforcement is being undertaken. Publishing accurate, comprehensive and timely data using common definitions is important for easy aggregation and analysis.

6. CLIMATE FINANCE: WAYS FORWARD

The International Climate Fund needs to consider various possible sources of finance for global climate actions. Since the adaptation costs are huge, no single mechanism will be sufficient to raise finances for adaptation, rather multiple mechanisms and public financing would be most appropriate. At the international level, negotiations should focus on mechanisms that automatically generate finances, such as levy on CDM, without depending on national level decisions (Prabhakar, 2008).

Managing finances is another important aspect which cannot be separated from the discussion on sources of financing per se. In a future climate regime, the UNFCCC should create a body to manage the funds with equitable participation from all the countries. The Adaptation Fund Board created to manage Adaptation Fund under the Kyoto Protocol could set an example in this regard. Regarding the role of multi-lateral bodies, including the World Bank and Global Environmental Facility (GEF), these institutions still play an important role in helping the UNFCCC since they have needed expertise and experience. However, there is a need to improve the governance of these institutions (Prabhakar, 2008).

This raises the next important issue of climate finance as governance. In this regard, the contributor-recipient balance of power must be reworked. This will require nationally driven investments and will ensure global emissions reduction and recipient ownership of funds. The international regime for climate finance would require national-level regulation and decision-making changes. This might lead to the creation of one or more new national-level climate finance mechanism, such as the Bangladesh Climate Fund. The fundamental requirement at the national level is that there should be adequate flexibility and effective governance to make effective use of climate finance. Better adaptation governance at the national level also requires that the capacities of countries be enhanced to identify, prioritise, and implement a wide variety of adaptation actions, policies and programmes.
Financial resources for climate change purposes are available to the Pacific region through a number of arrangements: (a) national government spending; (b) private sector spending; (c) foreign direct investment; (d) international loans; (e) official development assistance; as well as (f) regional and global financing mechanisms that have more recently come on stream. The more commonly known environmental financial mechanisms for the Pacific include: (i) The Global Environment Facility; (ii) Multilateral Development Banks like the World Bank Group and the Asian Development Bank (ADB); and (iii) bilateral funds available through national development partner arrangements to the Pacific as a region or bilaterally, such as the EU, Australia, New Zealand and Japan. These financial mechanisms were already in place before developments at the UNFCCC Conference of the Parties in December in Copenhagen in 2009, further solidified at the UNFCCC COP in Cancun in November 2010, and which promise exponential increases to these resource flows in the future.

However, capacity limitations, issues of access to information, as well as access to the funding itself have been key constraints to many organizations and individuals seeking to benefit from the various financing sources available, given the criteria that need to be satisfied and the need to be considered in prioritizing adaptation projects before the costs of adaptation can be supplied by adaptation funds. Finally, climate financing needs a development orientation under which adaptation issues are given due importance and addressed. The staggering difference in the money available for adaptation and mitigation across the world shows that it is important to focus on adaptation programmes for the region.

IGES have over the years found that many groups and individuals had been least successful in securing financing for adaptation operation, and this is often complicated by the lack of knowledge of the available funding sources. The study further shows that while there is an overwhelming consensus on the need for adaptation funding, there is lack of agreement on details of such funding such as sources of funds, how to manage the funds, including under the UNFCCC, and fund distribution among countries. In one of the consultation studies conducted by IGES, the developing country participants argued that the historical responsibility should be considered an important principle for financing adaptation in developing countries. In addition to the historical responsibility, some participants also suggested that developed countries have additional incentives to support adaptation actions since a stronger global South means sustained supply of goods and services to the global North.

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