

A Development Co-operation Perspective on Mainstreaming Climate Change

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OUTLINE

THE CASE FOR MAINSTREAMING

- Two Views on Financing Climate Change
- Why Development Co-operation matters for climate change
- Why Climate change matters for Development co-operation

HOW GOOD ARE WE AT MAINSTREAMING?

- In the context of Development Co-operation
- In domestic OECD contexts

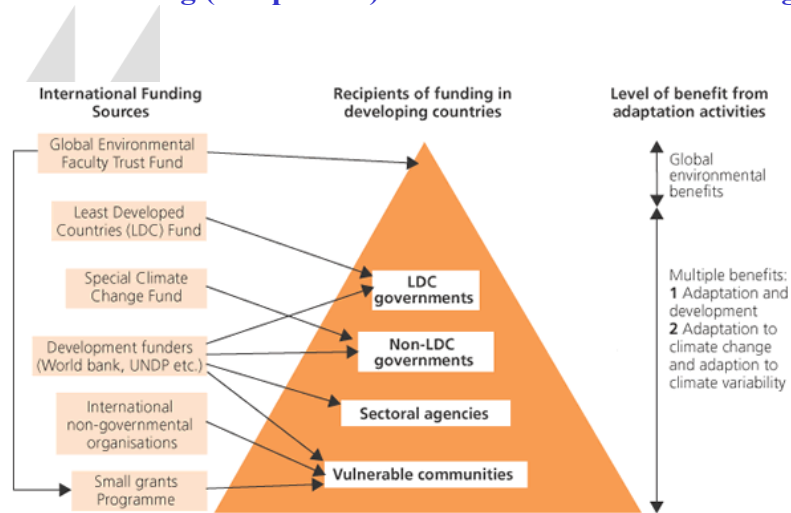
BARRIERS TO MAINSTREAMING

PRIORITIES FOR THE ROAD AHEAD

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1. THE CASE FOR MAINSTREAMING ADAPTATION

1.1 Financing (Adaptation): A View from the Climate Regime



1.1 Financing (Adaptation): A View from the Climate Regime

- A wide variety of funding channels are available, but they have a complex architecture and high transaction costs
- Available resources rather limited relative to the global scale --- hundreds of millions of dollars, compared to rapidly escalating estimates of adaptation costs in the billions of dollars.
- Funds targeted more for workshops, assessments, and planning, much less (yet) on the ground actions
- Slow march towards disbursement of funding [determined by the pace of multilateral negotiations]

Meanwhile ... significant aid flows take place under routine development co-operation

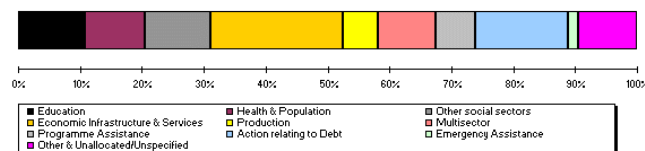
Bangladesh

Receipts	2001	2002	2003
Net ODA (USD million)	1 030	913	1 393
Bilateral share (gross ODA)	54%	56%	48%
Net ODA / GNI	2.1%	1.8%	2.6%
Net Private flows (USD million)	- 45	- 17	- 118

For reference	2001	2002	2003
Population (million)	133.3	135.7	138.1
GNI per capita (Atlas USD)	380	380	400

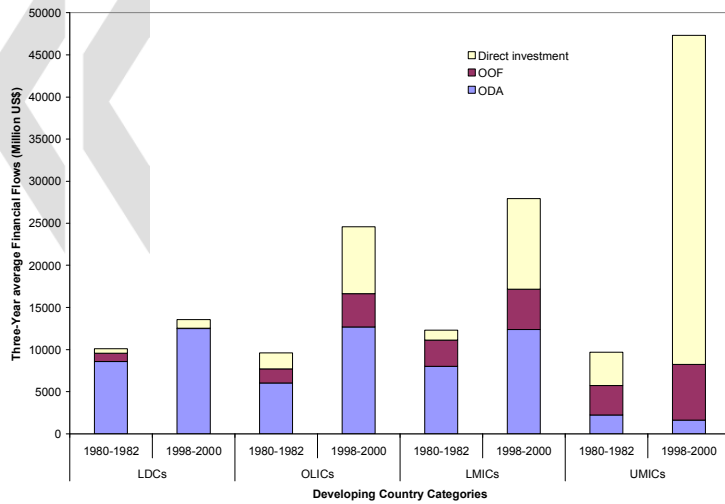
Top Ten Donors of gross ODA (2002-03 average) (USD m)	(USD m)
1 IDA	410
2 Japan	262
3 United Kingdom	188
4 AsDF	175
5 United States	95
6 Netherlands	51
7 Denmark	41
8 EC	39
9 Canada	35
10 SAF & ESAF (IMF)	35

Bilateral ODA by Sector (2002-03)



Sources: OECD, World Bank.

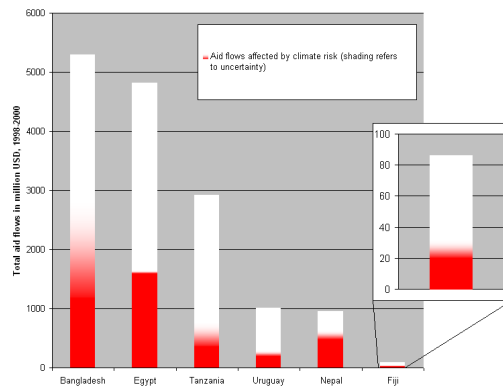
Official and private financial flows to developing countries



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1.2 Why Development Co-operation Matters for Climate Change

- Official aid flows are orders of magnitude higher than any financing under the climate regime
- Such flows are often directed at many activities and projects which have implications vulnerability to climate impacts



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1.2 Why Development Co-operation Matters for Climate Change

- “Tweaking” of such investments to take climate change into account is likely to have a significantly greater and longer-lasting impact than climate-centric funding
- Mainstreaming, however, would require integration of climate risks in all development processes, not just those supported by donors (in line with the Paris Declaration).
- Donors have more leverage in lower income developing countries. Private flows (FDI) much more critical for middle income developing countries [but that’s another talk..]

2. HOW GOOD ARE WE AT MAINSTREAMING?

2.1 Mainstreaming and Development Co-operation

- National Development plans, Poverty Reduction Strategy Papers, Donor Country Assistance Strategies, and project documents generally do not pay attention to climate change, or often not even to current climate risks.
- Both national governments and donors are however engaged in a number of climate change specific activities (assessments, action plans etc.) but such initiatives have generally not made the cross-over to “line Ministries” or national budgetary processes.
- There are however a small number of examples of cross-over engagement, e.g. World Bank Kiribati consultations which involve key government Ministries such as Finance.
- In general however policy coherence remains a major concern between climate change and development priorities

An Example: Mangrove Valuation in Fiji

- Climate change high policy concern , particularly sea level rise
- Coastal mangroves are a good “no regrets” adaptation to sea-level rise.
- Yet, mangroves were significantly undervalued (at \$2500/ha lump sum) in decisions regarding their conversion for development purposes.

Source	Economic value of goods and services	USD/ha/year
Lal (1990)	Total economic value	2 706
World Bank (2000b)	Subsistence fisheries	240-360
	Commercial fisheries	90-140
	Habitat functions	160
	Coastal protection	1 480
	Medicinal plants	230-330
	Raw materials	180
		Total economic value
Fiji Biodiversity Strategy Action Plan	Food, nutrient and habitat services	1 200
	Disturbance regulation (coastal protection)	1 250
	Total economic value	2 450

2.2 Progress on Adaptation in OECD/Annex-1 Countries

		Climate change impact assessments			Adaptation options and policy responses				
		Historical climate trends	Climate change scenarios	Impact assessments	Identification of adaptation options	Mention of policies synergistic with adaptation	Establishment of institutional mechanisms for adaptation responses	Formulation of adaptation policies/modification of existing policies	Explicit incorporation of adaptation in projects
Early to advanced assessment of impact	Iceland	●	○	●					
	Hungary	●	●	○					
	Portugal	○	●	●					
	Estonia	●	●	●					
	Russia	●	○	○	○				
Advanced impact assessment, but slow development of policy responses	Japan	●	●	●	○				
	Romania	●	●	●	○				
	Denmark	●	●	●	○				●
	Korea	●	●	●	○				
	Slovenia	●	●	●	○				
	Ukraine *	●	○	○	○				
	Belarus	●	●	●	○				
	Bulgaria	●	●	●	○				
	Croatia	●	●	●	○				
	Mexico	●	●	●	○				
	Slovak Republic	●	●	●	○				
	Norway	●	○	○	○	○			
	Czech Republic	●	●	●	○				
	Liechtenstein	●	○	○	○				○
Moving towards implementing adaptation	Germany	●	○	○	○				
	Austria	●	●	●	○				
	Lithuania	●	●	●	○				
	Greece	●	●	●	○				
	Italy *	●	○	○	○				
	Spain	●	●	●	○				
	Ireland	●	●	●	○				
	Finland	●	●	●	○				
	Poland	●	●	●	○				
	Switzerland	●	●	●	○				
	Sweden	●	●	●	○				
United States	●	●	●	○					
Canada	●	○	○	○				●	
New Zealand	●	●	●	○					
Belgium	●	●	●	○					
Australia	●	●	●	○					
France	●	●	●	○					
Netherlands	●	●	●	○					
United Kingdom	●	○	○	○					

Gagnon-Lebrun and Agrawala, 2008

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Some Observations

- Mainstreaming adaptation remains more aspirational than operational in both developing country and OECD contexts
- In other words, the resource gap – while important in a negotiations context - might not be the key bottleneck
- The debate about financing might obscure much more fundamental challenges faced in the successful integration of climate risks.

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3. BARRIERS TO MAINSTREAMING

Some Barriers to Mainstreaming Climate Change

- Sectoral planners/development agencies already face a “mainstreaming overload” from agendas ranging from gender to sustainable development competing for inclusion.
- Many development projects are funded for 3-5 year time horizons and may not be the best vehicle for long-term climate risk reduction
- Adaptation might also be less attractive than more visible investments such as disaster recovery and where funding modalities are better established.

Some Barriers to Mainstreaming Climate Change

- *There might be genuine trade-offs between Climate and Development*
 - Diversion of scarce resources from more pressing priorities
 - Climate considerations might at times require *not* developing critical resources which might be seen as hampering development
 - Inclusion of climate considerations in projects might be viewed as one more “checkbox”, complicating operating procedures and raising costs
 - There may also be downside risks associated with making decisions based on uncertain climate projections

4. Some Priorities for the Way Forward

- Better identification of the role of UNFCCC funds in the context of mainstreaming. [Catalytic role as opposed to substitutes]
- Need for whole government approaches integration of adaptation ... central Ministries, sectors, as well as regional and local governments
- Making climate information more relevant and usable
 - Multi-model projections, clear articulation of uncertainties
 - Emphasis on implications at the scale at which development decisions are made
 - Need national / regional priority rankings [instead of catalogues] for key climate change impacts based on urgency, certainty, timing, and the significance of the resource affected

Some Priorities for the Way Forward

- Developing and applying climate risk screening tools
 - Two tiered screening: broad overview followed by more sophisticated screening for projects/activities where climate change might particularly need to be taken into account

- Identifying and using appropriate Entry Points for factoring in climate considerations in development activities [budgetary processes, EIAs, PRSPs, etc.]