

UK FAST START CLIMATE CHANGE FINANCE

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

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.

Some of the **results** expected from multilateral initiatives supported by the UK include:

- **Nine countries**, including Niger, Mozambique and Nepal, supported to implement **national plans for adapting** to climate change
- **500 million tons of CO₂** emissions (equivalent to 192 million cars) avoided by deploying low carbon technologies
- Low carbon and affordable transport for **18 million people**
- **Deforestation reduced by 1 million hectares**, avoiding 315–675 million tons of CO₂ emissions.

The UK Government is providing £1.5 billion (about \$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 Copenhagen climate conference to provide new and additional resources approaching \$30 billion to help meet the adaptation and mitigation needs of developing countries. The UK pledge has been confirmed in the UK Government’s four-yearly Spending Review which sets a budget of **£2.9 billion** for climate finance for the period 2011–12 to 2014–15.

UK Fast Start finance is already flowing. We have approved £568 million for 2010–11. We are also providing further climate-related support through the UK aid programme in addition to Fast Start and are working to ensure that programmes deliver the best value for money for UK aid.

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.

UK Fast Start commitments:

- £1.5 billion UK Fast Start 2010–12
- Of which, £568 million approved for specific programmes in 2010–11
- Including £500 million to the Climate Investment Funds and forest funds

“As we look ahead, our role – in partnership with developing countries – must be to find a solution that tackles the challenge of climate change, while meeting development goals and facilitating long-term growth.”

Andrew Mitchell MP, UK Secretary of State for International Development

“Climate change is the definition of a global threat. A failure to act in time will affect us all”

Chris Huhne MP, UK Secretary of State for Energy and Climate Change

Helping the poorest adapt to the effects of climate change

It is the world's poorest people who are hit hardest by the impacts of climate change – their crops lost to floods and drought, their homes damaged by floods and threatened by rising sea levels, and lives lost to extreme weather events. They are the most vulnerable and least able to adapt, yet they have contributed the least to its causes.

Responding to the impacts of climate change means adopting new and different ways of living, for example:

- developing better systems for managing water scarcity or flooding
- ensuring homes, schools and hospitals protect people from floods
- using crops and farming approaches that 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 is providing **£225m to the Pilot Programme for Climate Resilience (PPCR)** (part of the Climate Investment Funds – see page 8) of which £202m is Fast Start-funded. This will support 9 pilot countries and 2 regions to develop holistic adaptation programmes.

Recently endorsed investment plans from Niger, Tajikistan and Bangladesh propose to use concessional and grant funding from the PPCR to deliver results such as:

- upgrades to hundreds of kilometres of roads to improve their climate resilience
- improvements to water management systems leading to increased crop yields for thousands of people
- improvements in provision of climate information
- providing social protection schemes for vulnerable households
- improvements in farming methods including drought resistance.

CASE STUDY: Community-based adaptation – empowering the most vulnerable



The UK Government is supporting the NGO CARE to help **40 rural communities in Mozambique, Ghana, Kenya and Niger** adapt to the impacts of climate change and have a bigger say in local and national decision-making on adaptation policies. Communities are able to express their needs and priorities, such as introducing **new varieties of drought-resilient crops** and setting up **systems for storing food and protecting livestock** during extreme weather events.

By sharing information and ideas across a network of communities, the programme will support communities to **adapt to climate change impacts** and address **poverty**. The projects will make an immediate difference to people's lives as well as investing in longer term approaches for a more secure future. It is hoped that the approaches piloted through these projects can be scaled up and replicated in other African countries.

The UK Government is contributing £5 million to the CARE Adaptation Learning Programme in 2010–14, including £400,000 from Fast Start in 2010–11. The initiative is also supported by the Ministries of Foreign Affairs in Denmark and Finland.

The UK has also provided financial support to establish the UN Adaptation Fund and is an active member of the Adaptation Fund Board.

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

Farming in Malawi	Investing in research	Managing water resources
<p>In Malawi, the UK is helping farmers to plant more drought-resistant maize and has funded an insurance scheme to purchase and distribute international grain in the event of significant drought.</p> <p>We have also helped upgrade Malawi Met Office weather stations to provide better weather data and forecasting to local farmers.</p> <p>The UK expects to provide £200,000 of Fast Start to this programme in 2010–11.</p>	<p>We are providing £5.3m Fast Start finance in 2010–11 to the Climate Change Adaptation in Africa Research Programme, which helps African organisations to investigate how rural and urban communities can adapt, for example to more extreme weather farming conditions or shifting patterns of disease such as malaria.</p>	<p>The UK is also supporting the South Asia Water Initiative (SAWI) to improve the management of water resources in the Indus, Ganges and Brahmaputra river basins and reduce the vulnerability of poor people to the effects of climate change.</p> <p>The UK is due to provide £990,000 to SAWI in 2010–11, of which £200,000 is Fast Start finance.</p>

Supporting cleaner, greener growth in developing countries

Adopting low carbon technologies can help countries to grow and reduce poverty. For example, extending clean energy access to rural communities can mean less time spent collecting firewood, especially for women and girls. It can also boost incomes by providing new jobs in sectors such as agri-processing.

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

- **Low carbon growth** – exploring new ways of greener, climate resilient growth and demonstrating the viability of reducing emissions through low carbon development
- **Low carbon energy** – such as solar, wind, geothermal, hydro power and biofuels
- **Energy efficiency** – of vehicles, buildings and industrial equipment
- **Clean technology innovation** – to help accelerate the development of new climate technologies
- **Finance** – to ensure private finance helps to meet the climate challenge.

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

- **£50 million to the Scaling-up Renewable Energy Programme** (of which £35m is funded from Fast Start) – to ramp up the deployment of renewable energy and expand renewable markets in the world’s poorest countries – including **Ethiopia, Honduras, Kenya, Maldives, Mali and Nepal** – by financing solar, wind, bio-energy, geothermal and small hydro technologies.
- **£385 million for the Clean Technology Fund** (of which £155m is UK Fast Start) which, when combined with other donor funding, is expected to leverage over \$40 billion of investment in low carbon projects. These are expected to provide 18 million people with low carbon and affordable transport, and provide over 12 megawatts of clean electricity and thousands of jobs to local communities. This is enough energy to supply the equivalent of almost 16 million households. Countries participating so far include **Colombia, Egypt, Indonesia, Kazakhstan, Mexico, Morocco, the Philippines, South Africa, Thailand, Turkey, Ukraine, Vietnam and a regional pilot covering the Middle East and North Africa region.**

Other examples of UK support for low carbon development include:

Exploring Public-Private Partnerships	Incentives for the private sector
<p>We are supporting the development of two new public-private partnerships for low carbon and adaptation investments in Asia and large-scale renewable energy in Africa. They would use public money to leverage private finance and direct it to where it is most needed, aiming to secure up to £9 of private investment for every £1 of public money spent.</p> <p>If successful, the Asian initiative could create up to 5 gigawatts of new renewable energy, 60,000 jobs, and save 150 millions tonnes of CO₂ over 25 years. In Africa we are exploring a cash-on-delivery mechanism to deliver up to 500 megawatts of new renewable energy per year by 2015.</p>	<p>We are exploring with the Government of Rwanda the development of results-based finance for renewable energy to incentivise the private sector to deliver affordable low carbon energy services.</p> <p>Through this, more than a quarter of a million poor households could gain access to modern lighting, schools could have clean cooking fuel and improved sanitation, and over 6,000 additional households could have a reliable electricity connection to a micro-hydro plant.</p>

The UK also supports the **Global Environment Facility (GEF):**

- We are providing **£35 million in 2010** (of which £11.7 million is funded from Fast Start) to the GEF to support sustainable development and tackle climate change in around 152 developing countries worldwide, which will rise to £52.5 million in 2011 and 2012.
- Together with commitments from other donors, this support is expected to result in **500 million tons of CO₂ equivalent avoided**, 3–4 innovative technologies in 10–15 countries and 0.5 gigawatt new renewable energy capacity.



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CASE STUDY: Green growth from the sun

The Clean Technology Fund is helping to catalyse clean energy production on a large scale in the developing world. In North Africa, the Fund proposes to fund the construction of 13 new concentrated solar power plants, **which could double current global capacity of concentrated solar power** and could **create 4,500 new jobs**.



This investment will help ensure businesses have power to grow, and homes have sufficient access to electricity. Deploying concentrated solar technology on this scale will also help the technology to be refined and so reduce its cost in the long term. It could then be more affordable for use around the world.

The Clean Technology Fund proposes to invest **\$750 million** in this solar power expansion, which is expected to mobilise an additional **\$4.8 billion** of investment from other sources including the private sector.

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Safeguarding forests and reducing emissions

Forests are one of the planet's great stores of carbon, and destroying them reduces the earth's capacity to store CO₂. Around **17% 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.

Forests are also 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, fodder, shelter and medicine.

The UK is providing **£300m for action on REDD+** over the Fast Start period 2010–12, focusing on three areas:

- national REDD+ strategy development
- up-front finance to help implement national REDD+ strategies
- results-based finance for verified emission reductions.

Without REDD+, the goal of limiting the rise in global temperatures to 2°C will be much harder, and substantially more expensive, to achieve.

UK support to REDD+ includes investments in international initiatives which are helping to support the development and implementation of national REDD+ strategies:

- **£15 million to the Forest Carbon Partnership Facility** (of which £10 million is from Fast Start) to support the development of costed plans to tackle deforestation in at least 37 countries, and pilot results-based payments for emission reductions in selected developing forest nations.
- **£75 million to the Forest Investment Programme** (of which £63 million is from Fast Start) to support at least 8 countries to implement the investment activities identified in their national REDD+ strategies.

Through this support we aim to reduce emissions, safeguard biodiversity and tackle poverty.

CASE STUDY: Making forests worth more standing than cut down



The UK is investing £35 million during the Fast Start period in the **Congo Basin Forest Fund** (in partnership with Norway and the African Development Bank) to help tackle deforestation across 10 countries in Africa's Congo Basin.

The Congo Basin Forest Fund is working to support transformative and innovative proposals to develop the capacity of the people and institutions of the Congo Basin to enable them to manage their forests; help local communities find livelihoods that are consistent with the conservation of forests; and reduce the rate of deforestation.

Building the evidence and knowledge to respond to climate change

The UK is also working to improve the evidence needed to help developing countries to adapt to climate change and to help them grow in a low carbon way:

The **Climate Change Adaptation in Africa** programme, co-funded with the **International Development Research Centre**, and the **Climate Science Research Partnership** with the UK Met Office's Hadley Centre, is developing more useful climate predictions for local farmers and national governments. Researchers are also testing local approaches – such as alternative crops and farming methods – for tackling soil salinisation, water stress and other climate impacts. We have committed £5.3 million and £1.2 million in Fast Start to these programmes respectively in 2010–11.

The **Ecosystem Services for Poverty Alleviation** programme, co-funded by DFID and the UK Research Councils, will, amongst other objectives, generate more detailed knowledge about the likely impacts of climate change on forests and water catchments in developing countries, and investigate possible solutions. The UK has committed £1.4 million from Fast Start in 2010–11.

In East Africa and South Asia, our **Policy Innovation Systems for Clean Energy Security** programme, to which we have committed £740,000 Fast Start in 2010–11, provides policy makers with new information and approaches to unlock the potential of bioenergy for improved energy access and livelihoods in poor communities.

CASE STUDY: Increasing access to world-class knowledge, advice and support

The Climate and Development Knowledge Network is a new five-year initiative designed to support developing countries in making decisions that successfully build resilience to climate change and make the transition from high to low carbon development.

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 is positioned to help developing countries capitalise on the opportunities available to them. With its team of scientists, economists, and policy analysts from both developing and developed country institutions, CDKN offers support to public, private and non-governmental decision-makers to develop new policies, introduce new technologies and mobilise new sources of finance.

The CDKN was launched in 2010 by the UK Government, which is contributing £45 million funding over 5 years (including £8.7 million Fast Start funding in 2010–11). CDKN is working towards the goal of supporting around 60 developing countries over the first five years.



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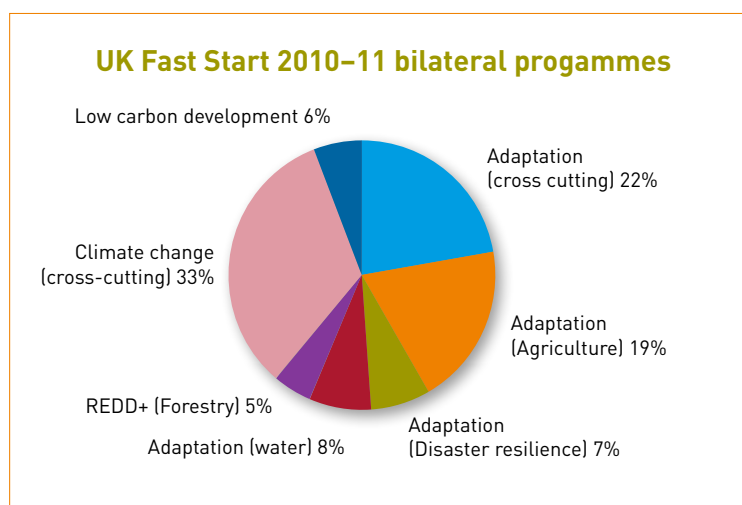
How is UK Fast Start finance being delivered?

The UK's Fast Start finance for climate change is being delivered through major international climate funds for climate change, to 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 approved £568 million in 2010–11:

- £57 million through our bilateral programme
- £511 million to multilateral funds.

Our Fast Start funding is designed to be responsive to country needs and well-integrated into countries' own sustainable development plans.



UK Fast Start commitments so far to multilateral funds 2010–11:		
Climate Investment Funds:		
• Pilot Programme for Climate Resilience	Adaptation	£202 million
• Clean Technology Fund	Low carbon development	£155 million
• Forest Investment Programme	REDD+	£63 million
• Scaling-up Renewable Energy Programme	Low carbon development	£35 million
Congo Basin Forest Fund	REDD+	£35 million
Forest Carbon Partnership Facility	REDD+	£10 million
Global Environment Facility (climate change component)	Cross-cutting	£11.7 million
Total UK Fast Start commitments so far to multilateral funds 2010–11		£511.7 million
UK bilateral Fast Start commitments so far 2010–11:		
Climate change – cross-cutting*		£19 million
Low carbon development		£3 million
Adaptation – cross-cutting*		£13 million
Adaptation – agriculture		£11 million
Adaptation – resilience to disasters		£4 million
Adaptation – water resource management		£4 million
Reducing emissions from deforestation and degradation		£3 million
Total UK bilateral Fast Start commitments so far 2010–11		£57 million

* Cross cutting = supporting more than one climate change/adaptation objective

The Climate Investment Funds (CIFs) are trust funds managed by 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.

The CIFs are piloting a number of unique approaches to inform the design of the future climate finance architecture. These include:

- the ability to deliver programmatic funding at scale to national and regional investment plans;
- efficient, effective and equitable governance structures, with equal numbers of recipient and contributor countries as well as active observers from civil society, indigenous peoples and the private sector; and
- transformational, innovative financing instruments and investments that allow us to test what works well and less well, and to pilot, demonstrate and replicate new ways of delivering climate change impacts.

We expect the substantial resources we have provided through the CIFs to deliver transformational change. The challenge is now to ensure that the CIFs deliver the results we expect them to achieve, while building new partnerships and ways of working to ensure the CIFs can be as effective as possible.

Loans and grants

The £500m allocated by the UK to the Climate Investment Funds, the FCPF and the CBFF in 2010–11 (see page 7) is a capital contribution used to make highly concessional **loans**, which once repaid to the CIFs, can be reinvested in further developing country programmes. In addition, a small proportion will be available as grants.

Concessional loans to developing country governments are made on terms with 0% interest, a small service charge, a 10-year grace period and to be paid back over a period of 20 to 40 years. For the Pilot Programme for Climate Resilience (PPCR) for adaptation, this has the effect of making around 77 pence out of every £1 of the UK's contribution grant finance.



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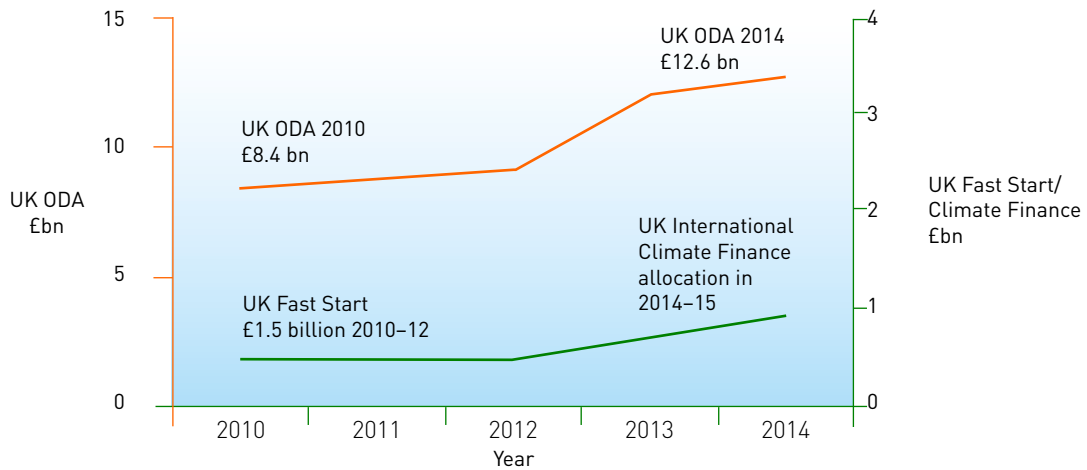
Climate change and promoting development

The UK's Fast Start-funded programmes will **help to reduce global poverty and combat climate change**. For instance providing drought-resistant crops to poor farmers, as we do in Malawi, both protects them against warming temperatures and helps to feed families.

Recognising the synergies between development and tackling climate change, and the growing importance of making aid 'climate smart', **UK Fast Start is Official Development Assistance (ODA)**, and does not include other forms of support such as export credit guarantees or carbon market finance. We're working to make all UK aid 'climate smart' – ensuring that climate change is taken into consideration in all our programmes.

The UK Government is keeping its **commitment to spend 0.7% of national income** on aid from 2013. The UK's four-yearly budget announced in October 2010 provides **£2.9 billion of international climate finance** for 2011–12 to 2014–15, to be met out of the UK's rising aid budget. International climate finance will continue to account for less than 10% of ODA.

UK Aid (ODA) and Climate Finance Commitments 2010–2014



UK international climate finance will be almost 50% higher in 2014/15 than in 2010/11.
Our aid budget will increase every year between now and 2014 – reaching 0.7% of UK national income from 2013.

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 in 2010–11 – 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. From the UK, only the climate change component is being funded by Fast Start. The UK is guided by OECD DAC Rio marker definitions of adaptation and mitigation – see www.oecd.org for more information.

Next Steps

Future allocation: The UK's Fast Start commitment for the next two years will be used to fund multilateral and bilateral UK spending in support of adaptation, mitigation and forestry. Decisions on allocation will be made through the budget planning processes for the Government's next four-yearly budget cycle beginning in April 2011. There will be joint Ministerial oversight of the international climate finance budget across Government to ensure coherence on spending, value for money and to maximise leverage from other sources of finance.

The long term: The UN Secretary General's Advisory Group on Climate Finance (AGF) has shown that we can meet the goal we set in Copenhagen of mobilising \$100bn a year by 2020 of public and private finance to assist poorer countries with the climate challenge. The UK will continue to work with the international community to identify innovative sources of finance and to support the establishment of a Green Climate Fund. The £2.9 billion UK climate finance committed in the budget cycle 2011–2 to 2014–15 puts Britain on a credible path to helping to deliver this.

We propose that preparations for scaling up finance to meet long-term needs include:

- Ensuring funding supports national strategies and results
- Improving access to finance by supporting a wide range of financial delivery vehicles
- Leveraging other areas of public and private spending.

"If we fail to act today then we will pay the price tomorrow not just in pounds and dollars but in human life."

Andrew Mitchell MP, UK Secretary of State for International Development
Keynote speech on climate change, 18 November 2010.

More information

For more information on the allocation of UK Fast Start, visit www.faststartfinance.org, or to find out more about the Climate Investment Funds visit www.climateinvestmentfunds.org.

For more information on how the Climate and Development Knowledge Network can help, see www.cdkn.org or contact cdknetwork.enquiries@uk.pwc.com

To find out more about the work of the UK Government's Department for International Development, visit www.dfid.gov.uk, and the Department of Energy and Climate Change, visit www.decc.gov.uk.