

## SUBMISSION BY HUNGARY AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

Budapest, 11 May 2011

**Subject:** EU Fast start finance Report to the UNFCCC Secretariat

### Key Messages

- In accordance with developed countries' commitments under the Copenhagen Accord, the EU and its Member States have mobilised **€ 2.34 billion** of fast start finance in 2010<sup>1</sup> as part of its overall commitment to provide **€7.2 billion** cumulatively over the period 2010 – 2012.
- The swift and effective implementation of EU fast start finance is enabling developing countries:
  - to better protect themselves against severe weather events and other adverse effects of climate change, including by promoting national adaptation planning, and funding for science and analysis to support decision making;
  - to grow and develop on a sustainable low carbon path, including through supporting projects on low carbon energy, energy efficiency and low carbon transport;
  - to protect forests while also supporting economic development;
  - to prepare for the effective and efficient implementation of a new climate regime and scaled-up financial flows in the longer term.
- Most EU fast start finance is provided through Member State budgets and is allocated on the basis of national decisions. Despite the difficult economic situation and strong budgetary constraints, all 27 Member States and the European Commission are contributing to this funding. Member States' fast start contributions are voluntary and not based on any distribution key. They do not prejudice any burden sharing for future global climate financing.

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<sup>1</sup> The data present in the document are commitments until 31.12.2010 and have not changed significantly since the December 2010 due to the timing of the reporting cycles involved.

- Transparency in the delivery of fast start pledges is vital and the EU regularly reported in 2010 on the implementation of this commitment and will submit further comprehensive and transparent reports to the UNFCCC Secretariat by May 2012 and 2013 in line with the Cancún Agreements. The EU will provide an additional update on progress with implementation at the COP-17 in Durban and invites other developed countries to do the same. In addition, the EU welcomes efforts to enhance the on-line availability of information on fast start finance commitments, and other efforts to promote transparency.
- **Delivering on our commitments**
  1. The EU Member States and the European Commission have confirmed €2.34 billion of fast start finance in 2010, thereby remaining on track to meet its overall commitment of €7.2 billion cumulatively across the 2010-12 fast start period.<sup>2</sup>
  2. To be effective and to enable the fastest possible deployment of the available funds, the EU and its Member States are using existing bilateral and multilateral delivery channels as well as reinforcing existing initiatives. This facilitates access as developing countries are able to strengthen existing working relationships with bilateral agencies and multilateral institutions. EU fast start finance is also being provided to multilateral channels such as the Climate Investment Funds, the Global Environment Facility, the Adaptation Fund, the Least Developed Countries Fund, the Forest Carbon Partnership Facility, and the Multilateral Development Banks.

**Table 1: Bilateral and multilateral channels in 2010**

BILATERAL	Total amount (billion €)	1.020
	% of total	44%
MULTILATERAL	Total amount (billion €)	1.320
	% of total	56%
NOT ALLOCATED	Total amount (billion €)	0
	% of total	0%
<b>TOTAL</b>		<b>€2.34 billion</b>

<sup>2</sup> The full results of the reporting (April 2011) by the Member States and the EU on fast start finance implementation in 2010 are provided in annex.

3. The EU continues to be the largest contributor of climate finance flows to developing countries and has been so since well before Copenhagen. These projects and activities target key areas of collaboration which are closely linked to the objectives for fast start finance. The EU and its Member States remain firmly committed to these broader climate finance activities.
4. In addition to fast start finance, the EU will continue to make available other funds for the period 2010-2012 in support of climate actions outside the EU, such as via the European Investment Bank (EIB) which provides diversified financing (with some elements of concessionality). This financing also helps leverage additional investments including from the private sector.

## **II. Access to EU fast-start funding**

5. EU fast-start finance supports immediate action on climate change and preparations for efficient and effective adaptation and mitigation actions in developing countries in the medium and longer term, including sustainable forest management.
6. The EU is striving to allocate both bilateral and multilateral funding where it is most needed. In terms of new bilateral projects, in particular for adaptation, the EU and its Member States give priority consideration to most vulnerable and least developed countries. This includes support for capacity building efforts as well as for the development and transfer of technologies.
7. The EU underlines the importance of close dialogue and joint working with partner countries in assessing needs and setting priorities; EU fast-start finance is deployed with full respect for partner countries' national ownership and primary responsibility for their own development.
8. Furthermore, the experience of existing institutions, including multilateral, regional and bilateral development financial institutions, and national governmental and nongovernmental implementing agencies in delivering aid in developing countries is being fully utilized. The agreed principles of aid effectiveness established by the Rome and Paris Declarations and the Accra Agenda for Action are also fully respected.

9. The fast start funding is a voluntary commitment and allocation decisions are made by the respective Member State / the Commission. In this context, their respective local or regional donor representations in developing countries play an important role as a first contact point.

### III. Synergies with progress towards reaching the MDGs

10. The EU is committed to ensuring that fast start funding and other climate finance neither undermines nor jeopardises the fight against poverty and continued progress towards the Millennium Development Goals (MDGs). The European Council of 17 June 2010 reaffirmed its commitment to achieve development aid targets by 2015 as set out in its June 2005 Conclusions. The EU remains the world's leading provider of official development assistance (ODA), responsible for almost 60% of all ODA in 2010.
11. Climate issues have become increasingly integrated in broader development strategies (making ODA 'climate resilient') so that actions to mitigate and adapt to the negative effects of climate change often support efforts to reach other MDGs and vice versa, e.g., by delivering actions to support climate resilient development and access to clean energy.

### IV. Transparent and consistent reporting

12. The EU's fast start finance "package" amounting to **€2.34 billion in 2010**<sup>3</sup> includes finance to support: adaptation; mitigation; reductions in emissions from deforestation and forest degradation in developing countries; technology cooperation and capacity-building, including for MRV and design of mitigation measures.
13. **Adaptation: €735 million in 2010 to accelerate action to help poor and vulnerable countries adapt to and build resilience to the adverse effects of climate change**, particularly in the least developed countries, small island developing states, and African countries that will be most seriously affected. Funding will help developing countries protect their infrastructure, industry and agriculture from changing weather patterns and rising sea levels, support investment water management, drought-resistant crops, disaster risk reduction and in improved scientific analysis for decision making, and national planning. Adaptation efforts will take into account the priorities identified in National Adaptation Plans of Action (NAPAs), National Communications and other relevant planning documents. In the area of adaptation, particular attention needs to be paid to enhancing partner countries' absorption capacities, increasing

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<sup>3</sup> The EU Member States attributed over 85% of the 2010 Fast Start Funding between the three broad objectives identified (REDD, mitigation and Adaptation). Due to integrated approaches and significant contributions to multipurpose programmes it is not possible to divide all available funding between these categories.

national ownership, and to verifying the viability and added value of initiatives in the longer term.

14. ***Mitigation*: €946 million in 2010 to accelerate the transition to a low-carbon global economy and to reduce greenhouse gas emissions by promoting the deployment of clean energy technologies.** Funding will promote projects on: low carbon energy; energy efficiency; low carbon transport; the development of Nationally Appropriate Mitigation Actions (NAMAs) and low emission development strategies; capacity building to measure, report and verify emissions and on new carbon market mechanisms.
15. ***REDD+*: €313 million in 2010 to reduce greenhouse gas emissions by reducing deforestation and forest degradation in developing countries and enhancing the sustainable management and conservation of forest and carbon stocks.** Funding will demonstrate ways of changing the economics, build capacity to monitor effectively, report and verify emissions and removals from land-use activities; support necessary policy and governance reforms; work to enhance sustainable management and conservation of forests, and enhancement of forest stocks. Particular attention will be paid to improving forest governance (including land tenure reforms and forest law enforcement), and to ensuring benefits for local communities and indigenous peoples.

#### **V. Longer term perspective on post-2012 financing**

16. International fast start climate finance is public funding provided to cover a short intermediate period until a comprehensive and sustainable global system for support can be developed. Member States' fast start contributions are voluntary and not based on any distribution key. They do not prejudice any burden sharing for future global climate financing. In Cancún the developed countries reiterated their commitment, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries. Funds provided to developing countries may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources.

17. The mobilisation of long-term climate finance for mitigation will depend on meaningful mitigation actions, transparency on implementation, and on a robust governance system inter alia ensuring measurement, reporting and verification being in place, taking into account the particular situation of LDCs. Further improvements in the knowledge base on climate impacts and capacity building efforts will facilitate long-term adaptation actions.
18. The EU will continue to work closely with the recipient countries and with the international community to learn from the implementation of these fast start finance commitments as we move toward operationalising the longer term financing provisions of the Cancún Agreements.
19. In this regard, the Final Report of the UN Secretary General's Advisory Group on Climate Finance (AGF) provides an important starting point for further consideration, in particular the conclusion that it is challenging but feasible to meet the goal of mobilising \$100bn per annum by 2020 for climate change in developing countries, subject to meaningful mitigation actions and transparency on implementation through a combination of innovative, public and private sources. The public finance contributions of participating parties to post-2012 financing have yet to be determined and should be agreed as part of the ongoing international climate negotiations. ODA will continue to play a role, particularly in the most vulnerable and least developed countries.
20. A comprehensive set of statistics for climate financing is clearly needed. This should be built on experiences with existing reporting systems such as the OECD-DAC system for monitoring financial flows to developing countries and avoid developing competing reporting systems. Also in this context Member States should consider experience with fast start funding when addressing post-2012 climate financing and support.

**RESULTS OF MEMBER STATE REPORTING ON FAST START FINANCE Pledges/Confirmed contributions 2010-2012**

**1. PLEDGES/ CONFIRMED CONTRIBUTIONS FOR 2010 – 2012**

	EU CONTRIBUTION (2010-2012)	EU CONTRIBUTION 2010
	(billion €)	(billion €)
NUMBER OF RESPONSES	27+ COM (28)	27+ COM (28) <sup>4</sup>
TOTAL AMOUNT PLEDGED	7.200	2.400
TOTAL CONTRIBUTION	7.250	2.340
% OF TOTAL AMOUNT PLEDGED	101%	98%

**2. PRINCIPAL AND SIGNIFICANT CLIMATE OBJECTIVES IN 2010**

Number of Member States reporting on this question		23 / 28
Total reported amount of reporting MS (billion €)		2.343
Overall reported amount as % of EU FSF Contribution in 2010		100%
Climate is principal objective	Total amount (billion €)	1.917
	% of total reported amount	82%
Climate is significant objective	Total amount (billion €)	0.426
	% of total reported amount	18%

**3. TYPES OF INVESTMENTS IN 2010**

Number of Member States reporting on this question	23 / 28
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<sup>4</sup> The totals in the breakdown tables do not always sum exactly to the overall total presented (in Table 1) due to differences in the reporting approaches of the Member States on the different aspects of their contribution. This does not change the total sum of €2.34bn made available by the EU in 2010.

Total reported amount of reporting MS (billion €)		2.341
Total reported amount in % of EU FSF Contribution in 2010		100%
Grants	Total amount (billion €)	1.061
	% of total reported amount	45%
Loans, equities or others <sup>5</sup>	Total amount (billion €)	1.280
	% of total reported amount	55%

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<sup>5</sup> Most loans reported were confirmed as being concessional in nature.



#### 4. BILATERAL & MULTILATERAL CHANNELS IN 2010

Number of Member States reporting on this question		25 / 28
Total reported amount of reporting MS (billion €)		2.340
Total reported amount in % of EU FSF Contribution in 2010		100%
BILATERAL	Total amount (billion €)	1.020
	% of total reported amount	44%
MULTILATERAL	Total amount (billion €)	1.320
	% of total reported amount	56%
NOT ALLOCATED	Total amount (billion €)	0
	% of total reported amount	0%

#### 5. OBJECTIVES AND SECTORS IN 2010

Number of Member States reporting on this question		24/28
Total reported amount of reporting MS (billion €)		2.112
Total reported amount in % of EU FSF Contribution in 2010		90%
ADAPTATION	Total amount (billion €)	0.735
	% of total reported amount	35%
REDD+	Total amount (billion €)	0.313
	% of total reported amount	15%
MITIGATION (excluding REDD+)	Total amount (billion €)	0.946
	% of total reported amount	45%
NOT ALLOCATED	Total amount (billion €)	0.118
	% of total reported amount	5%

## 6. OVERVIEW OF MULTILATERAL CHANNELS USED FOR FSF IN 2010

Number of Member States using multilateral channels	20 / 28
Number of Member States providing details on multilateral channels	20 / 20
Total reported amount for multilateral channels(million €)	1 017
Total reported amount in % of EU FSF Multilateral contribution in 2010	77%
<b>MULTILATERAL AND REGIONAL INSTITUTIONS (million €)</b>	
World Bank: Clean Technology Fund	292
World Bank: Strategic Climate Fund	177
World Bank: Forest Carbon Partnership Facility	49
World Bank: others	27
WB IFC	18
African Development Bank: CBFF	40
Inter American Development Bank	28
EBRD	12
Global Facility For Disaster Reduction and Recovery	1
CGIAR	5
Others	45
<b>Subtotal</b>	<b>720</b>
<b>UNFCCC and KYOTO PROTOCOL FUNDS (million €)</b>	
GEF	134
ADAPTATION FUND	67
UNFCCC	1
LEAST DEVELOPED COUNTRIES FUND	22
SPECIAL CLIMATE CHANGE FUND	4
<b>Subtotal</b>	<b>228</b>
<b>UN Initiatives / funds (million €)</b>	
UN REDD PROGRAMME	16

UNESCO	0.6
FAO	20
UNEP	20
UNDP	6
ISDR	4
<b>Subtotal</b>	<b>68</b>
<b>TOTAL</b>	<b>1 017</b>