



Australian Government

# Australia's Fast-start Climate Finance

July 2010–June 2013

**INVESTING IN EFFECTIVE AND SUSTAINABLE CLIMATE OUTCOMES**



Australian Government



**This is the final report on Australia's fast-start climate finance investment package, which began in July 2010 and ends on 30 June 2013 (in line with Australian financial years).**

Australia is committed to transparency and regular reporting on climate finance. Through the fast-start period, Australia has provided progress reports at each UNFCCC Conference of the Parties, and update reports at the end of each Australian financial year.

This report shares lessons learned through the fast-start period, drawing on case studies and examples from a selection of fast-start funded initiatives. It is not intended as a comprehensive stocktake of Australia's fast-start program, as full financial information will only become available after the conclusion of the Australian 2012-13 financial year (30 June 2013). Instead, this report seeks to demonstrate how fast-start projects achieved adaptation and mitigation outcomes for vulnerable people, and how future activities could be improved.

While drawn from the Australian experience, these lessons have broader relevance and should resonate with all stakeholders engaged in climate change investment activities in developing countries.

Australia will prepare a detailed account of its fast start spending, as an addendum to this report, after financial data becomes available following the end of the fast-start period on 30 June 2013.

For more information on Australia's fast-start climate change finance, visit: [www.climatechange.gov.au](http://www.climatechange.gov.au).

ISBN 978-1-921916-23-6



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# Australia's Fast-start Climate Finance

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# Overview

Australia committed A\$599 million over three Australian financial years (FY2010/11 – FY2012/13) to the collective fast-start climate finance goal as part of its continued commitment to support developing countries in their efforts to respond to climate change.<sup>1</sup>

Australia has met this commitment. A\$599 million has now been allocated and fully programmed to support an array of climate change activities. This investment package has supported a range of actions to reduce carbon emissions, enhance technology development and capacity building and help developing countries adapt to the effects of climate change. Many of these activities continue to deliver results into the future.

Australia's fast-start finance investment package has also produced lessons for effective and sustainable climate outcomes.

These lessons are:

- 1. Focus on results:** through Australia's fast-start finance package, relatively modest investments were able to achieve significant results — especially where focused on clear, tangible outcomes.
- 2. Donor strengths and expertise:** Australia was able to share knowledge and expertise from its own domestic programs in areas such as energy efficiency, science and adaptation, and measurement, reporting and verification (MRV), to inform fast-start activities.
- 3. The right partner:** finding the right investment partner - either bilateral or multilateral - can improve local engagement, tailor project management, and make more efficient use of resources.
- 4. National ownership:** responding to national priorities, and seeking a high level of engagement and decision-making by national governments, can improve the effectiveness and uptake of a program.
- 5. In-country capacity:** programs can contribute to broader climate action and help to make results long-lasting by building institutional and technical capacity in developing countries.
- 6. Enabling environments and policy levers:** by helping to put in place supportive policy and institutional frameworks, fast-start projects can create environments favourable to long lasting results and catalyse private investment.
- 7. Collective knowledge:** through the fast-start experience, Australia found that recording data and sharing knowledge allowed stakeholders to learn from one another, coordinate efforts, and build upon past experience.
- 8. Harmonisation:** sharing information and coordinating investments can help to avoid duplication and increase collaboration between donors. Investments that align with developing country priorities can also produce co-benefits to maximise the impact of every dollar spent.
- 9. Scaled up and transferable:** investing in projects that can be scaled up or transferred to countries or sectors with similar needs allows results to be achieved beyond the scope of the original investment.

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<sup>1</sup> Equivalent US\$621 million (based on 1.0368 monthly average conversion rate, April 2013, Reserve Bank of Australia). For more on Australia's contribution, and other countries' responses to fast-start, see Submission of information from developed country Parties on the resources provided to fulfill the commitment referred to in the decision 1/CP.16., para 95. (document number FCCC/CP/2012/INF.1) at <http://www.unfccc.net>

# Introduction: Australia's Fast-start Climate Finance

*Australia's fast-start climate finance investment delivered A\$599 million in climate finance to generate adaptation and mitigation outcomes in developing countries and produce valuable lessons for future finance delivery.*

## Australia's national interest

It is in Australia's interest to assist developing countries to build their capacity to reduce carbon emissions (mitigation) and to take action to adapt to the effects of climate change (adaptation). Because climate change has the potential to impede and even reverse development progress, climate change objectives overlap with and reinforce Australia's development objectives.

Early action on both adaptation and mitigation will reduce global costs and the costs to individual countries. To this end, Australia supports a coordinated approach that will deliver financing where it is needed most.

## Fast-start finance

In 2010, developed countries pledged to provide US\$30 billion in fast-start climate finance by 2012 to kick-start mitigation and adaptation initiatives in developing countries and to produce lessons for future investments.<sup>2</sup> Australia and other developed countries including Canada, the countries of the European Union, Iceland, Japan, Liechtenstein, New Zealand, Norway, Switzerland and the United States contributed to this collective goal.

Australia committed A\$599 million over three Australian financial years (FY2010/11 – FY2012/13) to this goal as part of its continued commitment to support developing countries in their efforts to respond to climate change.<sup>3</sup> This finance supported a range of activities to reduce carbon emissions, enhance technology development and capacity building, and help developing countries adapt to the effects of climate change.

Australia has met its fast-start commitment. A\$599 million has now been allocated and fully programmed to support a range of activities addressing climate change issues in developing countries.

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<sup>2</sup> Copenhagen Accord, 2009 (Decision 2/CP.15) and Cancún Agreements, 2010 (Decision 1/CP.16).

<sup>3</sup> Equivalent US\$621 million (based on 1.0368 monthly average conversion rate, April 2013, Reserve Bank of Australia).

## Australia's approach to fast-start

Australia targeted its A\$599 million fast-start investments in order to promote effective, sustainable activities addressing climate change in developing countries. Focusing on the Pacific, Asia, Africa and the Caribbean, efforts were made to maximise climate returns across both mitigation and adaptation interventions.

### Adaptation

In allocating its fast-start investment, Australia recognised the importance of adaptation to countries particularly vulnerable to the effects of climate change. Australia's fast-start funding has supported a range of countries from Kiribati in the Pacific to Saint Vincent and the Grenadines in the Caribbean to plan for and respond to the unavoidable impacts of climate change.

Using knowledge gained from its own domestic adaptation work program and expertise in areas like coastal management, agriculture, water and infrastructure, Australia is promoting effective, evidence-based adaptation strategies in developing countries. Under the International Climate Change Adaptation Initiative, Australia is working with countries to implement holistic adaptation responses to identify climate risks and build local and national capacity to help address these risks. Local and national governments and communities are partners in the delivery of these projects, ensuring that Australia's international adaptation program is building in-country capacity.

Australia's international fast-start adaptation program focused on our near neighbours in Asia and the Pacific, many of whom are particularly vulnerable to climate change. This focus has allowed Australia to identify opportunities for regional harmonisation and knowledge sharing. Australia has also made targeted investments in South Asia, Africa and the Caribbean. These bilateral and regional contributions have achieved concrete and effective adaptation outcomes throughout the fast-start period.

- 40,000 people in Vanuatu and more than 29,000 people in Solomon Islands have benefitted from the upgrade of roads and bridges vulnerable to floods and storm surges.
- Communities in Papua New Guinea (Manus and New Ireland) are being supported to combat challenges to water and food security arising from increased coastal inundation- through the construction of dry stone walls, coral farming, drought resistant crops, protecting marine areas, and mangrove rehabilitation.



Above: Australia is working in Papua New Guinea to assist communities to build resilience to climate change into the future. Photo: Commonwealth of Australia.



Above: The development of drought resistant crop gardens and mangrove propagation to assist communities in Papua New Guinea to adapt to climate change. Photo: Commonwealth of Australia.

- Activities including rain water harvesting, improvements to the water reticulation system, building seawalls and planting mangroves have improved water security in Kiribati.
- The Pacific Australia Climate Change Science and Adaptation Planning program has improved understanding of climate change science and boosted the capacity of our partner countries to undertake adaptation planning. For example, Fiji and Solomon Islands are using climate projections in nation planning and climate change policies.
- Vietnam is being supported to reduce its vulnerability to climate change, particularly in the Mekong Delta where rising sea levels, salt water intrusion and flooding are already affecting coastal communities.



Left: In Vietnam, silt trap fences like this assist to reduce risks to communities from storm surges and flooding by reducing wave energy from storm surges by 60 per cent and prevent silt from stifling mangrove growth. Photo: GIZ.

- In Bangladesh, which is particularly vulnerable to floods and cyclones, more than 620 community disaster risk assessments have been developed, under a Comprehensive Disaster Management Program.
- Through the multilateral Least Developed Countries Fund (LDCF), Least Developed Countries are receiving support to prepare and implement National Adaptation Programs of Action (NAPAs), which identify urgent and immediate needs to adapt to climate change.

## Mitigation

With Australia's help, significant initiatives are also underway to assist developing countries to reduce their emissions and prepare for a low carbon future. This includes financial support for the development of low carbon growth plans, renewable energy and energy efficiency projects, and building capacity to participate in carbon markets.

Australia recognises that the key to achieving a low-emissions future is creating pathways for developing countries to harness financial and technological opportunities. Understanding that each country's pathway will be different, Australia has used its fast-start finance to support a wide range of initiatives, including the United Nations Development Program's Low Emissions Capacity Building Program. Australia is also promoting green growth research and planning initiatives such as the Global Green Growth Institute.

Australia also supports developing countries to reduce emissions from deforestation and forest degradation in (REDD+). Australia is working bilaterally with countries, such as Indonesia, and through key multilateral mechanisms, such as the World Bank's Forest Investment Program (FIP) to achieve both mitigation outcomes and alternative livelihood options for communities. These actions are part of the solution to engender increasingly ambitious mitigation action at a global level.

- Australia has supported Indonesia to reduce its carbon emissions from deforestation and forest degradation including through developing a National Carbon Accounting System; establishing a REDD+ demonstration project in Central Kalimantan; and REDD+ policy dialogue and capacity building.



*Above: Forest in Kalimantan, Indonesia.  
Photo: Commonwealth of Australia*



*Above: Australia is supporting reforestation work. Photo: Commonwealth of Australia*



- The Clean Technology Fund is promoting scaled-up financing for the demonstration, deployment and transfer of low-carbon technologies with significant potential for long-term greenhouse gas emissions savings.
- Under the Pacific Appliance Labelling and Standards Program, twelve Pacific Island countries including Fiji, Tonga, Samoa, Kiribati, Tuvalu and Cook Islands are being supported to enact and implement standards and labelling for appliances such as refrigerators, air conditioners, and lighting- thereby reducing energy use, emissions and energy bills.
- The Green Building Council of South Africa is being supported to carry-out the second phase of a 'green upgrade' of low-income homes- leading to reduced greenhouse gas emissions and environmental impacts, savings in energy consumption, and opportunities for the local community.

*Australia's fast-start finance package is delivering outcomes such as strengthening climate resilience and building capacity for low-emissions growth — and will continue to deliver results into the future.*

### **Australia's A\$599 million fast-start climate finance package is:**

- Fully allocated
- Spanning three Australian financial years (2010-11 to 2012-13)
- Supporting adaptation—to assist developing countries to plan for and respond to the unavoidable impacts of climate change, focusing on the poorest and most vulnerable
- Supporting mitigation—to help developing countries to reduce their emissions, for example by supporting low emissions development and efforts to reduce deforestation
- Prioritising support for the most vulnerable countries, including Small Island Developing States (SIDS) and Least Developed Countries (LDCs)
- Using bilateral and multilateral partnerships to deliver these outcomes
- Achieving real and measurable outcomes on the ground, as well as building the capacity of partner countries to undertake future action on climate change

## **Future climate finance**

Australia remains committed to climate finance in support of mitigation and adaptation action and will continue to play its part in global scale-up efforts beyond the fast-start period.

Developed countries have committed to a goal of jointly mobilising US\$100 billion a year by 2020 to address the needs of developing countries and Australia remains committed to this global goal.

Australia recognises the key role that climate finance from all sources will play in scaling-up and supporting mitigation and adaptation action. While Australia will continue to work towards mobilising financial flows from the private sector, the ongoing provision of finance from public sources remains a priority.

## This report

In light of the significance of the climate challenge, it is important to make every dollar count. Australia will focus on delivering its future climate finance effectively to maximise climate returns.

This report shares lessons learned during the fast-start period, using case studies and examples from a selection of fast-start funded initiatives. Its purpose is to demonstrate how key fast-start projects achieved adaptation and mitigation outcomes, and how future activities could be improved.

Australia will prepare a detailed account of its fast-start spending, as an addendum to this report, after financial data becomes available following the end of the fast-start period on 30 June 2013. For more information on Australia's fast-start finance, visit [www.climatechange.gov.au](http://www.climatechange.gov.au).

*Australia's fast-start experience provides lessons for effective and sustainable climate finance investments.*

# 1. Focus on results

Effective climate finance is more than a question of dollars spent. As noted by the Australian Government's aid policy, "effective aid is more than just how much money we are spending. It is about the results we want to achieve and our ability to measure and report on the impact of our aid on the lives of poor people."<sup>4</sup> Similarly, when addressing climate issues, it is the design of the project that counts.

Through the fast-start period, Australia invested in a range of activities that achieved important outcomes and provided excellent value for money. Key to this was a strong focus on achieving climate change and development results.

## Case study: Modest investment for significant results

### *Cato Manor Green Street Phase 2 (A\$125,000)*



*Above: Australia's fast-start finance is being used to employ local staff to carry out this energy efficiency and sustainability development initiative. Photo: Willem De Lange, on behalf of the Green Building Council of South Africa.*

With A\$125,000, the Cato Manor Green Street Phase 2 project completed a 'green' retrofit of 26 low-income houses in Durban, South Africa, installing solar water heaters, energy efficient lighting, heat-insulation cookers, roof insulation, rainwater tanks, food gardens and fruit trees. In addition to the retrofit itself, the project provided short-term employment and training to nine community members and leveraged an additional A\$25,000 in complementary investment.

In a country aiming to build 3 million low-cost homes by 2025, the project is now being used to demonstrate the health, livelihood and energy saving benefits of incorporating energy efficiency and emissions reduction measures into low-cost housing construction. The project is an example of what can be achieved on a very small budget if carefully designed with clear results in mind.

<sup>4</sup> An Effective Aid Program for Australia: Making a real difference—Delivering real results (AusAID, 2012), p.24 <http://www.ausaid.gov.au/Publications/Documents/AidReview-Response/effective-aid-program-for-australia.pdf>.

## 2. Donor strengths and expertise

In a crowded climate finance space, it is important for donors to ensure that their investments avoid duplication and have maximum impact. Focusing on initiatives that leverage a donor's unique expertise increases the likelihood of the investment making a valued and effective contribution.

Carbon markets, adaptation science, energy efficiency and land sector emissions accounting and abatement methodologies are fields in which Australia has expertise. Australia funded a number of initiatives in the fast-start period which focused on these areas, establishing opportunities for developing countries to learn from Australia's experience. The World Bank Partnership for Market Readiness, for example, is allowing Australia to share its carbon markets experience with developing countries aiming to introduce carbon pricing (see more on the PMR below).

By directly managing some projects, convening high level meetings, or procuring valuable research, donors are able to use their skills to provide value to projects which goes beyond the provision of finance. In this way, Australia has drawn upon its skills and expertise when designing and implementing fast-start projects to help developing country partners.

### Case Study: Sharing Australia's success

#### *Savanna Fire Management Initiative (A\$2.25m)*



*Above: Fire management, Fish River, Australia. Photo: Commonwealth of Australia.*

Through a new methodology developed under Australia's Carbon Farming Initiative (CFI), Indigenous communities and pastoralists in tropical north Australia are reducing emissions by reintroducing traditional-style early dry season savanna burning practices. The CFI is allowing these groups to receive payments for the reduction, supplementing other income streams.

Australia is now exploring the applicability of this methodology in developing countries, in collaboration with the United Nations University and the North Australian Indigenous Land and Sea Management Alliance Ltd. The initiative will share Australia's savanna fire management mitigation methodology and project experience with developing countries, while also laying the groundwork for establishing projects by identifying potential pilot sites and in-country partners.

## Case study: Australia's policy-making experience

### *The Pacific Appliance Labelling and Standards program (A\$3 million)*

As a global leader in domestic energy efficiency policies, Australia is assisting twelve participating Pacific Island countries including Fiji, Tonga, Samoa, Kiribati, Tuvalu and Cook Islands to enact and implement standards and labelling regulations for appliances such as refrigerators, air conditioners, and lighting, thereby reducing energy use, emissions and energy bills.

It has been estimated that the introduction of appliance energy efficiency standards and labelling in the Pacific region could reduce emissions by approximately 2,230 kt CO<sub>2</sub> equivalent and save between US\$600 and \$900 million dollars over a fifteen year period (2011-2025).

### *Spotlight on Energy Efficiency*

Energy efficiency can be a powerful and cost-effective method of achieving a sustainable energy future. Energy efficiency measures for buildings, appliances and equipment can reduce the need for investment in energy infrastructure, cut energy bills, improve health, increase competitiveness and improve consumer welfare. Environmental benefits can also be achieved by the reduction of greenhouse gas emissions and local air pollution. Energy efficiency can also alleviate energy security concerns by decreasing reliance on imported fossil fuels.

For over 25 years Australia has developed and implemented a standards and labelling program to improve the energy efficiency of equipment and appliances. Minimum Energy Performance Standards (MEPS) and Energy Rating Labels (ERL) have been two regulatory tools that have successfully improved the energy performance of products while delivering energy savings to households and businesses. Through these domestic activities, Australia has gained valuable experiences and expertise that are now being shared with developing countries.

Australia supports domestic and regional energy efficiency projects in Asia and the Pacific. Some of these projects have been running for many years, and will continue beyond the fast-start period. During the fast-start period, Australia supported the Pacific Appliance Labelling and Standards (PALS) Program, The Vietnam Energy Efficiency Standards and Labelling (VEESL) Program, the continuation of the Lighting Information and Technical Exchange for Standards ([lites.asia](http://lites.asia)) and the United Nations Environmental Programme's (UNEP) [en.lighten](http://en.lighten) initiative. These projects assist developing countries in Asia and the Pacific to develop energy efficiency policies, educate consumers, enact regulations and monitor, verify and enforce these systems.

## 3. The right partner

Donor countries rarely have the resources or in-country capacity to deliver projects themselves, often making finding the right partner key to a project's success.

In a bilateral context, the right partner can improve local engagement and leverage local support, maximising the effectiveness of an investment. Australia's partner for the Cato Manor Green Street Retrofit, the Green Building Council of South Africa, for example, was highly successful in securing local project management expertise for the activity. As a result, the project achieved its desired results on time and on budget, and recorded important data about technologies and methods for 'green' retrofits, which can inform future investments.

Multilateral funds can be valuable project partners, particularly in areas where donor coordination is important, or where implementing an activity will require resources beyond the capacity of a single donor. For example, through the International Forest Carbon Initiative, Australia has made significant investments in the World Bank's Forest Carbon Partnership Facility and Forest Investment Program. These multilateral bodies are at the forefront of the global effort to coordinate approaches to REDD+ implementation amongst contributors, recipients, and the broader private and non-government sectors.

### Case study: Supporting countries that are already acting

#### *The Vietnam Energy Efficiency Standards and Labelling Program (A\$2.75 million)*

This program builds upon Vietnam's existing energy efficiency standards and labelling program to help consumers make informed purchasing decisions that improve the country's energy intensity and reduce carbon emissions. It also targets the Government of Vietnam's monitoring and verification capabilities. By fostering a high level of engagement with the Government of Vietnam and enlisting the support of international experts to advise on elements of the scheme, this project is building the capacity of government officials and helping to inform the development of policy and legislation.

### Case study: Partnerships for sustainability

#### *Energising Development partnership (A\$20 million)*

Australia is supporting the Energising Development partnership (EnDev) to develop sustainable markets for improved cooking technologies in developing countries including in Asia, Africa and Latin America. The unsustainable collection of fuel wood is an important driver of forest degradation. Australia's support will promote sustainable cooking technologies as well as a better understanding of the relationship between fuel wood use and deforestation and forest degradation.

In supporting the EnDev Partnership, Australia is helping to build an existing initiative that has a proven track record in delivering access to sustainable energy. The lead agency for implementing the Partnership is Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) which has a large and well established network in developing countries, ensuring that supported activities are responsive to regional and local as well as national needs.

## 4. National ownership

Climate finance investments are more sustainable and effective when owned and driven by partner governments. Where investments address national priorities or involve a high level of engagement and decision-making by national governments, the effectiveness and uptake of a program can be increased. Throughout the fast-start period, Australia has looked for opportunities to increase national ownership of projects, by addressing country needs, working with government partners and using partner country processes and systems to deliver climate finance projects.

### Case study: Addressing country needs

#### *The World Bank Forest Carbon Partnership Facility (A\$44.6 million)*

Australia supports the World Bank's Forest Carbon Partnership Facility (FCPF), a global partnership of governments, businesses, civil society, and indigenous peoples established to provide financial and technical assistance to countries seeking to build their capacity to effectively implement REDD+.

National ownership is well evidenced at the FCPF, where features such as the Readiness Plan Proposal process encourage countries to identify their specific capacity and support needs to implementing REDD+ at the national level. This country-driven process encourages ownership of the process from the national government down to the local community level. In ensuring this shared ownership, REDD+ is given the best chance to flourish throughout a country.

### *Spotlight on Reducing Emissions from Deforestation and Forest Degradation (REDD+)*

Deforestation accounts for a large proportion of global greenhouse gas emissions and developing countries in particular require help to build the necessary capacity to address this challenge. Australia has invested in a number of activities that pursue the goals of reducing emissions from deforestation and forest degradation in developing countries (REDD+).

Through the International Forest Carbon Initiative, Australia is working directly with partners in our region, and collaboratively through multilateral institutions, like the World Bank, to contribute to the shared global effort to address deforestation. Through the International Forest Carbon Initiative, Australia supports in-country capacity to implement REDD+, credible systems for MRV and approaches to REDD+ that provide fair and effective benefits for communities.

The International Forest Carbon Initiative:

- is assisting 25 developing countries to develop national REDD+ strategies that show how they will reduce carbon emissions from forests (funded through the World Bank Forest Carbon Partnership Facility)
- is assisting five developing countries to take practical action to reduce forest emissions, such as through sustainably managing forests and supporting livelihoods for forest communities which do not lead to deforestation (funded through the World Bank Forest Investment Programme)
- is helping to establish global systems to support countries to measure, report and verify forest cover and carbon emissions
- supports REDD+ bilaterally through the Indonesia-Australia Forest Carbon Partnership and Papua New Guinea-Australia Forest Carbon Partnership
- is directly supporting countries such as Indonesia and Kenya to establish and operate MRV systems for the land sector

- is providing support to summarise and disseminate information on forest finance and REDD+
- Is supporting the Centre for International Forestry Research to show how REDD+ can be implemented in a way that is efficient and equitable and bring benefits to local communities

To encourage shared ownership, Australia's fast-start finance investments through the IFCI have responded to country needs and been informed by common approaches and shared expertise identified through bilateral and multilateral partnerships.

## **Case study: Understanding and measuring land sector emissions**

### *South Africa Land Sector MRV Capacity Building Project (A\$875,000)*

South Africa, like Australia, faces huge challenges when it comes to understanding and measuring emissions from its land sector. Drawing on its specialised experience in this area, Australia is supporting the South African government to build its capacity and expertise in the measurement, reporting and verification (MRV) of emissions from the Agriculture, Forestry and Other Land Use (AFOLU) sector.

Under the project, South Africa's Department of Environmental Affairs has recruited two new land sector MRV experts who will establish a strategic plan for the development of a comprehensive AFOLU sector MRV system for South Africa. The experts are being supported by an administrative assistant and a research assistant, who are also employed under the project.



## 5. In-country capacity

Countries face a range of challenges in responding to climate change. This often includes a lack of in-country expertise and capacity to implement desired reforms or effectively absorb large climate finance flows. It is important for donors to assist developing countries to establish institutional and technical capacity to enable them to take action and incorporate climate change into long-term development planning. By investing in programs that build in-country capacity, developing countries are empowered to take control of their climate change agendas, while increasing the long-term sustainability of individual projects.

During the fast-start period, there was an expectation that large quantities of funds would be disbursed in a short period of time. This resulted in a strong inclination to rely on specialist third parties to carry out climate finance projects. While this can represent the best solution in certain circumstances it should not be at the expense of building in-country capacity. Wherever possible, resources should be allocated to enable developing countries to carry out projects themselves. Taking a longer-term view will ultimately improve the effectiveness and sustainability of climate finance investments.

### Case study: Building systems for mitigation

#### *Low Emission Capacity Building Programme (A\$5 million)*

Robust measurement, reporting and verification (MRV) systems, Nationally Appropriate Mitigation Actions (NAMAs), and Low Emissions Development Strategies (LEDS) are increasingly seen as important preconditions for receiving increased climate finance. However, the capacity for many developing countries to establish and generate these systems and mechanisms remains weak.

Through the United Nations Development Programme's (UNDP) Low Emissions Capacity Building Programme, Australia is supporting 25 countries to strengthen their institutional and technical capacity to plan and undertake mitigation actions, through the formulation of LEDS and NAMAs. The Programme is also assisting participants to establish the national greenhouse gas (GHG) inventory and MRV systems required to underpin their mitigation actions. Acknowledging that the responsibility for responding to climate change extends beyond national governments, the Programme is also supporting selected industrial sectors within partner countries to identify appropriate mitigation actions.

## 6. Enabling environments and policy levers

Effective delivery of public climate finance requires supportive policy and institutional frameworks that will help ensure the success of individual projects and catalyse private investment.

Appropriate policies, regulation and governance create conducive enabling environments to support climate-compatible development. Public finance can contribute to strengthening elements of national administration in recipient countries, including the broader institutional architecture and the public financial system. It can also help to remove barriers to investment and improve the risk-reward calculation to make projects more attractive to private investors.

Climate finance is well-placed to continue to support developing countries in improving their enabling environments, including policy frameworks, to drive low carbon and climate-resilient growth. For example:

- supporting regulatory and institutional reforms that cut “red tape” and encourage competition and innovation
- supporting institutional capacity-building
- investing in catalytic infrastructure, including information and communications technology;
- facilitating dialogue between the public and private sectors
- providing private sector financiers with advice to give them a better understanding of the risks in conflict-affected and fragile economies

### Case study: Building capacity for carbon markets

#### *World Bank Partnership for Market Readiness (A\$12.5 million)*

Australia is working with other governments through the World Bank Partnership for Market Readiness (PMR) to build the capacity of countries to develop domestic carbon market instruments to scale up emission reduction efforts and support low carbon development. Helping to develop the essential “readiness” components for these instruments—such as data management, measurement, reporting and verification (MRV) systems and the creation of policy and regulatory frameworks—is a crucial part of the PMR’s work.

The PMR, a global partnership of 28 developed and developing countries, has achieved a significant amount since it was established in 2011. It has exceeded its target capitalisation of \$US100 million and approved funding for countries to develop detailed carbon market plans and work towards implementation of domestic carbon market instruments. In addition to grant funding and in-country expert support, partner countries build capacity by sharing lessons learned in technical workshops, policy dialogues and virtual knowledge platforms as they look to develop new or improve on existing domestic carbon market instruments.

Through capacity building for the development of market-based instruments, the PMR is supporting countries to create effective enabling environments for private sector action on climate change. Well-designed carbon market instruments can incentivise private sector actors to change investment and production behaviour to drive low emissions development. PMR countries are encouraged to engage early with private sector actors in developing their carbon market instruments, consistent with domestic circumstances. The PMR has also organised a number of successful dialogues between country representatives and the private sector. Australia co-hosted one such dialogue with the World Bank and the International Emissions Trading Association in 2012. These dialogues will continue to be a key contributor to the PMR’s success by promoting effective engagement with the private sector to support low emissions development.

## 7. Collective knowledge

Reaching the goal of mobilising US\$100 billion in climate finance per year by 2020 requires collective effort. The global nature and urgency of climate change reinforces the need for open and collaborative efforts to reach this goal. Building a bank of shared climate finance knowledge is vital to enable donors to learn from each other to maximise the effectiveness of future investments and for recipient countries to incorporate climate change into their development actions and strategies.

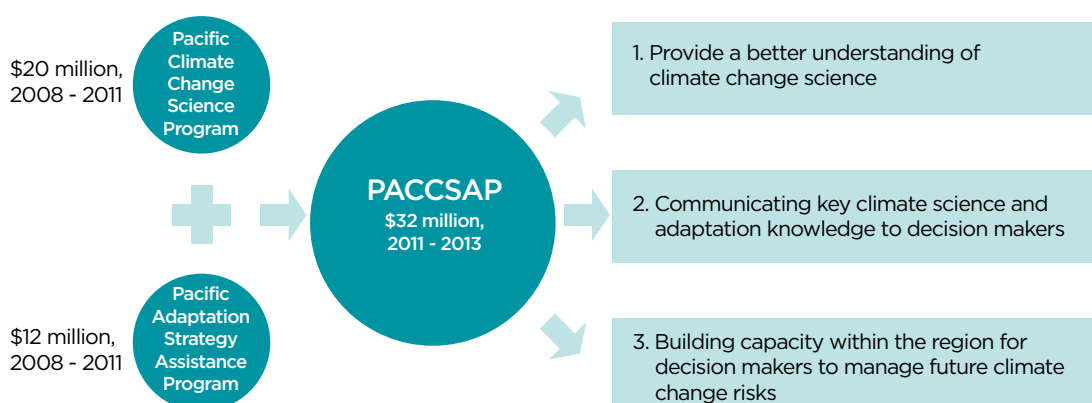
Australia's fast-start projects have contributed valuable research, knowledge and data to inform combined efforts in areas such as energy efficiency (see *Spotlight on Energy Efficiency p.11*), monitoring and compliance systems (see *Spotlight on MRV p.21*), carbon markets, and low emissions development. Australia's science and adaptation projects in the Pacific (see over page) have delivered valuable research and data to vulnerable countries, enabling them to base their adaptation plans and activities on sound science and knowledge of risk. This not only informs current planning and decision-making, but will also be available for future use.

### Case study: Supporting our Pacific neighbours

#### *Pacific Australia Climate Change Science and Adaptation Planning (A\$32 million)*

*Pacific countries have a strong awareness and support for adaptation activities. Providing technical support, information and capacity can assist these countries to improve their ability to manage future climate risks.*

One of three programs delivered under the International Climate Change Adaptation Initiative (ICCAI), the Pacific Australia Climate Change Science and Adaptation Planning program (PACCSAP) is building an adaptation science and research base to assist Pacific countries to better manage future climate risk. Following on from an earlier program, The Pacific Climate Change Science Program (PCCSP), which delivered research and country level climate change projections,<sup>5</sup> the PACCSAP has continued to build the capacity of National Meteorological Services and the science base as well as delivering communication and awareness activities.



Strengthening the adaptation science base allows partner countries in the Pacific to reliably identify national climate change priorities, integrate climate change considerations into decision-making, and understand the economic implications of future climate change impacts and adaptation measures. For example, developing damage and loss estimates for the Pacific region from future climate change cyclone projections will help national government better quantify economic risk and develop solutions.

<sup>5</sup> More information can be found at: [www.pacificclimatechangescience.org](http://www.pacificclimatechangescience.org).

## *Spotlight on Science and Adaption*

Climate change will push many countries beyond coping thresholds and has significant implications for food, energy and water security. In the medium term, it has the potential to derail progress towards the Millennium Development Goals. In the longer term, it is likely to influence the growth and development trajectories of communities, regions and nations. Without adequate adaptation countries will face significant economic, social and environmental costs. Australia funded the International Climate Change Adaptation Initiative (ICCAI; 2008-13) to support vulnerable countries, particularly in the Asia-Pacific region, to adapt to the unavoidable impacts of climate change.

The Fourth Assessment Report published by the Intergovernmental Panel on Climate Change revealed a significant gap in our understanding of how the dynamic climate systems in the Pacific might change in the future.<sup>6</sup> The lack of scientific data made it difficult to understand the impacts on the livelihoods of the Pacific Island community. The work undertaken over the past four years through the Pacific Climate Change Science Program (PCCSP), the Pacific Adaptation Strategy Assistance Program (PASAP), and the Pacific-Australia Climate Change Science and Adaptation Planning (PACCSAP) Program has been vital in closing this gap.

These programs have engaged Pacific Island country scientists, decision-makers and planners to better understand past and future climate, and to formulate adaptation responses. They reinforce the value of a strong evidence base in climate change science, risk assessment and adaptation planning, to inform national planning priorities and guide decision making.<sup>7</sup>

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<sup>6</sup> IPCC AR4 SYR, Pachauri and Reisinger, Climate Change 2007: Synthesis Report, Contribution of Working Groups I, II and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC, 2007).

<sup>7</sup> PACCSAP Annual Report (July 2011–June 2012), Lessons Learned to Date, p.23.

## 8. Harmonisation

In the context of the scaling up of effective climate finance, it is more important than ever for donors to avoid duplication by regularly sharing information and harmonising their investments. Improved donor coordination also increases opportunities for collaboration and allows new projects to build on, or complement, existing investments, maximising the impact and effectiveness of every dollar spent.

Climate finance investments should also be aligned with recipient country priorities. Harmonisation with national-level planning increases the likelihood of complementary domestic action being leveraged. Similarly, climate finance investments that address a broader range of recipient needs – such as simultaneously addressing climate and development objectives – are likely to receive a greater level of in-country support and uptake, increasing effectiveness and sustainability.

### Case study: Regional cooperation on lighting

#### *Lighting Information and Technical Exchange for Standards (A\$750,000)*

Australia supports Lighting Information and Technical Exchange for Standards (lites.asia) – a regional network of lighting efficiency policy makers and regulators promoting regional cooperation on lighting energy efficiency issues. Lites.asia assists partner countries to undertake regulatory and policy reform to support low-emission development and encourage private sector investment through harmonised lighting standards. The overall goal is to make energy efficient lighting products available to all consumers in the Asia-Pacific region.

Lites.asia arose out of a meeting in October 2009, when representatives from Australia, China, India, Indonesia, Philippines, Sri Lanka, Thailand, USA and Vietnam met to discuss the potential benefits of regional co-operation on the development of lighting standards. Today over 600 participants from 20 economies actively collaborate on projects, participate in IEC meetings, and share knowledge on local standards and labelling via the internet and in regional meetings.

### Case study: Integrating national strategies

#### *Vietnam Low Carbon Rice Project (A\$1.3 million)*

Australia is assisting rice farmers in the Mekong Delta to change the way they cultivate their rice crops to reduce greenhouse gas emission from rice production, while enhancing yields, creating environmental co-benefits, and providing supplementary income through the international carbon market.

Implemented by the Environmental Defense Fund, the objectives of the project align with a number of national strategies, ensuring harmonisation with national-level planning. For example, Vietnam's National Green Growth Strategy outlines a commitment to join international efforts to reduce GHG emissions, recognising that promoting low-carbon growth also has broader benefits for sustainable development.

The project also supports the Vietnamese Governments' National Strategic Vision to 2030 for rice production and food security, which recognises the Mekong Delta as crucial to food security, both for Vietnam and the world.

## Case study: Coordinated systems for reporting

### *MRV Capacity Building Program (\$3m)*

Australia is supporting a range of developing countries in Africa and Asia to build their capacity to understand, quantify and report their greenhouse gas emissions, with a view to establishing robust and transparent national measurement, reporting and verification (MRV) systems.

In designing the program, Australia took account of existing initiatives, such as the UNFCCC Regional MRV program, International Partnership on Mitigation and MRV, and UNDP's Low Emissions Capacity Building Programme. Doing so was important to avoiding duplication, maximising coverage, and focusing Australia's contribution to ensure it has the most impact. As the Program rolls out, Australia will continue to coordinate closely with associated programs and donors to ensure that our investments work in a complementary manner.

### *Spotlight on Measurement, Reporting and Verification (MRV)*

Measurement, Reporting and Verification (MRV) describes the capacity of a country to measure its greenhouse gas (GHG) emissions, removals and climate action; and present and communicate that information both domestically and internationally. Whether sectoral (as for forestry) or national (as GHG inventories), MRV systems enable countries to participate in mitigation action; to meet international reporting obligations; to enhance national capacity in international meetings; access carbon markets; and harmonise donor and aid programs. By increasing transparency in mitigation, MRV is critical for building the trust necessary to make mitigation pledges. Enhanced MRV programs also improve countries understanding of their emissions profile, and therefore the efficiency of mitigation and adaptation initiatives.

Australia has a well-developed national framework and system for the reporting and dissemination of information about greenhouse gas emissions that meet international reporting requirements. This significant experience in MRV can be utilised to assist developing countries to grow their capacities in this area. Australia has supported MRV capacity building with a range of partners, including through:

- The Indonesian Carbon Accounting and Reporting Model developed in conjunction with the Government of Indonesia
- UNFCCC Secretariat expert workshops on Forest Reference Levels and Safeguards for REDD+
- purchasing, initially processing, archiving and making freely available comprehensive satellite data to Indonesia and acquire data for Timor-Leste, Papua New Guinea, Brunei, the Philippines and parts of Myanmar
- developing and administering capacity building programs to enhance MRV in developing countries in Africa and Asia for both REDD+ and non-forest MRV
- establishment funds for start-up support for Global Forests Observations Initiative work streams including in particular the Methods and Guidance Documentation work stream and the coordination of satellite data supply

## 9. Scaled up and transferable

Where possible, activities should be designed so that they can be scaled up or transferred to other applicable settings. This maximises the effectiveness of investments as it allows for economies of scale, and leveraging from previous experience and existing in-country institutional arrangements. Scalable and transferable projects also offer opportunities for other donors to contribute to proven projects, improving the efficiency and effectiveness of climate finance investments more broadly.

### Case study: Building Upon Success

#### *Vietnam Climate Change and Coastal Ecosystems Program (A\$9.6m)*

Since 2008, Australia has partnered with the German and Vietnamese governments to work with communities in Kien Giang, Vietnam to adapt to climate change and improve the management of coastal environments. This has included installing fences to prevent erosion, rehabilitating coastal forests, improving dyke management, and promoting new mangrove planting techniques.

Based on the success of the Kien Giang pilot project, Australia invested A\$9.6 million of its fast-start finance to support an expanded partnership between Australia and Germany across five provinces in the Mekong Delta, under the Climate Change and Coastal Ecosystems Program. The five year program will be supported by a national component that will promote the sharing of lessons and experiences across provinces to inform a national response to climate change.



*Left: Planting for coastal resilience. Photo: GIZ*

## Conclusion: Capitalising on the fast-start experience

*Between July 2010 and June 2013, Australia's A\$599 million fast-start investment package supported an array of climate change activities, delivering important mitigation and adaptation in developing countries. The package also produced lessons that can serve to inform decisions made regarding future climate finance investments.*

Australia's fast-start climate finance supported activities in developing countries in areas such as energy efficiency, carbon markets, land sector emissions, and adaptation. Focusing on the most vulnerable countries in key regions like the Pacific, this package of investments has helped strengthen climate resilience and build capacity for low-emissions growth and will continue to deliver results into the future.

Australia's fast-start climate finance also served as a valuable pilot program for longer term climate finance, having produced lessons on how best to achieve effective and sustainable climate outcomes. These lessons- such as national ownership, the importance of building collective knowledge, and the benefits of scaling up programs to maximise returns- suggest ways in which future climate finance might be enhanced.

There are synergies between the lessons learned through fast-start and development principles, and a number of these themes are also under consideration by the Green Climate Fund Board, of which Australia is currently serving as Co-Chair.

While drawn from the Australian experience, these lessons will likely resonate with all stakeholders engaged in climate change investment activities in developing countries. Importantly, Australia's fast-start experience will inform the discussions to shape a new global climate change agreement in 2015.

For more information on Australia's fast-start climate finance see [www.climatechange.gov.au](http://www.climatechange.gov.au).



## GLOSSARY

AusAID — Australian Agency for International Development

COP — Conference of the Parties (to the UNFCCC)

GHG — Greenhouse Gas

LDCs — Least Developed Countries

MRV — Measurement, Reporting and Verification

ODA — Official Development Assistance

REDD+ — Reducing Emissions from Deforestation and forest Degradation

SIDS — Small Island Developing States

UNFCCC — United Nations Framework Convention on Climate Change





