



# AUSTRALIA'S FAST-START FINANCE UPDATE REPORT

August 2012



## Australia's 2012 Update Report on fast-start finance

Australia's A\$599 (US\$603) million climate finance investment package is new and additional, on track and delivering results. At 30 June 2012, Australia had allocated A\$563 million (94 per cent) of its fast-start finance to adaptation and mitigation initiatives that will deliver real outcomes in developing nations. Some A\$380 million (63 per cent) has already been disbursed.

Australia's fast-start finance is fully grant-based, and is balanced between adaptation (52 per cent) and mitigation (48 per cent). It is new and additional, being drawn from a growing aid budget and, is not displacing funding from existing Australian aid programs.

Acknowledging the importance of adaptation to countries particularly vulnerable to the effects of climate change, Australia has committed A\$309 million of its fast-start finance to adaptation activities. Around one third of Australia's total finance will go to small island developing states, and around one quarter will go to least developed countries.

With Australia's help, significant initiatives are also underway to assist developing countries implement policies 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's fast-start finance reporting

Australia believes in transparency and is strongly committed to reporting regularly and openly on its fast-start finance. We provide a progress report at each

UNFCCC Conference of the Parties in November, and an updated report at the end of our financial year.

This report focuses on the geographical spread of our projects, using case studies from four key regions. It also contains updated financial tables which outline how and where Australia's fast-start finance is being delivered.

## Fast-Start Highlights

Disbursed as at 30 June 2012:

- **A\$148.5 million** through Australia's International Climate Change Adaptation Initiative (ICCAI)
- **A\$24 million** to the Least Developed Countries Fund to support capacity building for adaptation
- **A\$10 million** to the World Bank's Partnership for Market Readiness to support emerging carbon markets in developing countries
- **A\$9.1 million** to increase energy access from renewable energy for low income countries through the Climate Investment Funds.

For more information see [www.faststartfinance.org](http://www.faststartfinance.org)

# UPDATE REPORT

## Snapshot of Australia's fast-start package

High level snapshot	A\$ (millions)	US\$ (millions)*
Adaptation	309 (52%)	311
Mitigation	290 (48%)	292
Allocated (as at 30 June 2012)	563 (94%)	567
Disbursed (as at 30 June 2011)	201.3 (first third)	203
Disbursed (as at 30 June 2012)	381.4 (second third)	384
Projected disbursement as at 30 June 2013	599 (final third)	603
<b>Total package (fully budgeted)</b>	<b>599</b>	<b>603</b>

\* Rounded calculation as of June 2012 with a rate of A\$1 = US\$1.00650.

Note: Australia's financial year runs from 1 July to 30 June.

Source: AusAID

### Australia's approach to fast-start finance: Adaptation

In adaptation, Australia continues to support and undertake cutting edge work. Domestically, Australia has a significant work program focused on ensuring that adaptation actions are effective and evidence-based.

Through this program, Australia has built knowledge and experience in delivering adaptation actions in the areas of coastal management, agriculture, water and infrastructure. This knowledge base is being used to aid the design of our international adaptation program.

Through its fast-start finance investments, Australia is working with partner countries to promote effective, evidence-based adaptation strategies in developing countries. Under the International Climate Change Adaptation Initiative (ICCAI), 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. This includes programs such as the Pacific–Australia Climate Change Science and Adaptation Planning Program.

By integrating a deeper understanding of local and regional impacts of climate change into adaptation planning, these programs enable informed prioritisation of adaptation actions.

To further understand these priority areas, Australia has also funded work assessing and identifying adaptation options for the impacts of climate change on food and water security, infrastructure, health, coastal management, and ecosystems. Australia is assisting a broad range of vulnerable developing countries implement such options – from Kiribati in the Pacific, to Saint Vincent and the Grenadines in the Caribbean.

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. In addition to biophysical characteristics, the projects take account of social, economic and cultural factors, enhancing effectiveness and sustainability.

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Australia's international fast-start adaptation program is focused on our near neighbours in Asia and the Pacific, many of whom are particularly vulnerable to climate change.

This focus allows Australia to develop and support a range of effective tools which increase the resilience of communities across this region as they adapt to the unavoidable impacts of climate change. Australia is also making targeted investments in South Asia, Africa and the Caribbean. These bilateral and regional contributions are complemented by our global work, assisting partners in formulating strategies to improve the quality of adaptation planning for communities most vulnerable to climate change.

## Australia's approach to fast-start finance: Mitigation

Australia is working with a range of partners to build foundations for increasingly ambitious global mitigation action. It is using fast-start finance to assist developing countries achieve strong mitigation outcomes in the context of sustainable economic development. By promoting the establishment of carbon markets, low-emissions growth, and supporting clean technology, Australia is laying the foundation to achieve low-emissions sustainable development.

Australia recognises that 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 efforts to reduce emissions from deforestation and forest degradation in developing countries (REDD+). We are 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.

Elevating mitigation ambition at the rate required, however, will not be achievable through public sector effort alone. It will need to be complemented by sustained private sector engagement and the use of carbon markets. That is why Australia is investing in initiatives such as the World Bank Partnership for Market Readiness, which supports the development and piloting of carbon markets in developing countries — allowing each country to undertake mitigation action at least cost.



*Australia's fast-start finance promotes green growth activity in developing countries, like this energy efficiency and sustainability project in Durban, South Africa. Photo: Willem De Lange, on behalf of the Green Building Council of South Africa.*

# UPDATE REPORT

Australia's fast-start finance investments are supporting mitigation and adaptation activities across a wide range of developing countries. Four regional case studies, providing examples of the way Australia's fast-start finance investments are being implemented, are set out below.

## Region One: The Pacific Community-based Adaptation in Papua New Guinea (Manus and New Ireland) (A\$3.5 million fast-start funding)

Australia is working closely with the Papua New Guinea Government and with non-government organisations to implement community-based climate change adaptation projects in Manus and New Ireland. These projects are being delivered in partnership with two key organisations: the Wildlife Conservation Society and The Nature Conservancy.

Communities in Manus and New Ireland are experiencing a number of shared challenges, including water and food security, and health issues. These issues are arising from a lack of fresh water and crop failure due to increased coastal inundation. Projects have been developed in partnership with these communities, integrating local participation in the planning processes.

Key activities include training and capacity building within communities to undertake the following practical actions:

- construction of dry stone walls to reduce coastal erosion and to protect local land from rising sea levels
- coral farming, using the propagation of coral for lime production to reduce pressures on natural coral reefs
- production of drought resistant crop gardens, including technical training for crop multiplication, crop husbandry and crop and disease management
- establishment of no-take or "tambu" marine areas to protect fish stocks
- propagation of mangroves to reduce coastal erosion.

These programs empower communities to build their own capacity and skills to identify, trouble-shoot and act on the range of challenges that climate change presents.



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



*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.*

# UPDATE REPORT

## Region Two: Asia Fast-start scale-up of successful pilot project in the Mekong Delta (A\$9.6 million fast-start funding)

Australia has used its fast-start finance to expand successful small scale programs, like that in Kien Giang province, Vietnam. Kien Giang is situated in the Mekong Delta and is one of Vietnam's most vulnerable provinces to the effects of climate change.

The province has over 200 kilometres of coastline, 85 per cent of which is less than one metre above sea level. Sea levels have already risen 20 centimetres in Vietnam, and are predicted to rise by one metre by the end of the century.

Up to 29 metres of Kien Giang's mangroves and coastline recedes each year due to erosion, sea level rise and deforestation. Without mangroves and coastal forests as natural buffers, people's livelihoods, including their crops, suffer from salt intrusion, storm surges and flooding.

Since 2008, Australia has partnered with the German and Vietnamese governments to work with communities in Kien Giang to adapt to climate change and improve the management of coastal environments. This has included applying new technologies, such as innovative fences to prevent erosion; rehabilitating coastal forests; promoting new mangrove planting techniques; and improving dyke management. It has also included significant community consultation and engagement with the project management board, including civil society, business, government and the community.

The new coastal restoration techniques are now being scaled-up with funding from the Government of Vietnam. The result has been a reversal of erosion, a build-up of silt, and increased growth and survival rates of mangroves.

Based on the success of the Kien Giang pilot project, Australia is investing fast-start finance to support an expanded partnership between Australia and Germany across five provinces in the Mekong Delta. The five year Climate Change and Coastal Ecosystems Program will bring German-funded projects in Bac Lieu and Soc Trang together with the pilot in Kien Giang, and projects

in the provinces of An Giang and Ca Mau. This will be supported by a national component that will promote the sharing of lessons and experience across provinces to inform a national response to climate change.

Under the program, communities develop their own course of action to deal with a changing climate and to protect their coastal ecosystems. The program is being implemented under a dedicated arrangement between Australia and Germany and will finish in 2016.



*The impact of climate change is already being felt in Kien Giang, 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.*

# UPDATE REPORT

## Region Three: Africa Green Building Council of South Africa—Cato Manor (A\$125,000 fast-start funding)

Australia is using its fast-start finance to work with the Green Building Council of South Africa to support the second phase of a 'green upgrade' of low-income homes as part of the Cato Manor Green Street demonstration site in Durban.

As South Africa progresses to its goal of building 3 million low-cost homes by 2025, the Cato Manor Project aims to demonstrate a set of affordable and proven energy efficiency measures and other greening elements in low-income homes.

These green interventions are directed at improving the living conditions of occupants, such as keeping homes warm in winter and cool in summer, regulating daily temperature fluctuations, and minimising indoor air pollution from harmful fuels traditionally used for heat and cooking. Each home in the area (approximately 26 homes) will be retrofitted with:

- a solar water heater
- energy efficient lighting
- a heat-insulation cooker
- roof insulation to regulate temperatures
- rainwater harvesting systems
- the planting of indigenous trees for shade and fruit

As well as reduced greenhouse gas emissions and environmental impacts, the Cato Manor Project will achieve savings in energy consumption, reduce illness and safety risks, and provide training and job opportunities within the local community. The retrofit work will be implemented by local teams ensuring that the skills and knowledge acquired through the project are retained by the local community.

The Cato Manor Project will build knowledge and understanding of low-emission interventions in low-cost housing programs which will be valuable to governments and organisations seeking to establish similar projects in developing countries.



*Australia's fast-start finance is being used to employ locally engaged 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.*



*Low-income homes are being retrofitted with solar hot water systems to reduce electricity demand and emissions. Photo: Willem De Lange, on behalf of the Green Building Council of South Africa.*

# UPDATE REPORT

## Region Four: Caribbean Bequia Sustainable Water Supply (Project overall A\$1.1 million, fast-start component A\$110,000)

Australia is using fast-start funding to support climate change action in the Caribbean. Islands in the Caribbean have traditionally been vulnerable to water shortages, and this situation is becoming increasingly acute due to climate change impacts.

Regional climate modelling suggests rainfall will decrease by more than 11 per cent, particularly in the eastern Caribbean. Higher temperatures, reduced rainfall and sea level rise will put increasing pressure on the limited fresh-water stocks on islands like Bequia, in Saint Vincent and the Grenadines.

Australia, working with a range of partners including the World Bank, the Global Environment Facility, the governments of Greece, Saint Vincent and the Grenadines and the Caribbean Community Climate Change Centre, has implemented a pilot project in Bequia to demonstrate a new way to improve water supply.

Access to fresh water is an ongoing issue for Bequia, and many other Caribbean islands, due to calciferous soil (which quickly absorbs water) and a lack of surface water.

These issues are significant challenges both for the local communities and for the local tourism industry. While Bequia had basic rain-water harvesting systems prior to the pilot project, these systems were only effective during the rainy season and residents had to ship in water from neighbouring islands during the dry season. The partners for the project selected salt-water desalination as the only viable long term solution to Bequia's water problems.

The pilot has involved installing a salt-water reverse osmosis system, which utilises renewable photo-voltaic (solar) energy. With the systems now in action, this project has delivered potable water that exceeds previous water standards, both in cost and water quality. The renewable solar energy that powers the system feeds excess power it produces into the national utility, ensuring the system's sustainability.



*Australia's fast-start finance is helping to support clean technology address water security issues, like this solar powered salt-water reverse osmosis system in Bequia. Photo: Commonwealth of Australia.*

Currently run by the public sector, there are plans to develop partnerships with the private sector in the long term.

Australian fast-start finance has supported pilots like the Bequia water project, focusing on the potential to learn, replicate and scale-up as appropriate. This example shows the connection between low emissions technologies and the implementation of adaptation outcomes. In this case, the project is making communities more resilient to climate change driven water shortages in sustainable ways.

# UPDATE REPORT

**Table One: General funding breakdown by program**

Funding Breakdown		Committed A\$ (millions)	Disbursed by 30 June 2012	Counted As
International Climate Change Adaptation Initiative (ICCAI) (examples of funding earmarked to regions)	<b>Total</b>	248.2	148.5	Adaptation
	Pacific	134	88.2	
	South East Asia	47	15.8	
	South Asia	23	12.2	
	Caribbean*	6.5	5.2	
	Africa	25	10	
International Forest Carbon Initiative		145.9	101.2	Mitigation
Climate Change Partnerships		15	2.7	Mitigation
Multilateral		101.2	42.9	40% Adaptation 60% Mitigation
Other*		88.7	86.1	Mixed
<b>Total</b>		<b>599</b>	<b>381.4</b>	

\* includes range of additional funding to multilaterals (see table below) and other funding. For example, A\$10 million additional bilateral adaptation funding for the Caribbean (to make complete fast-start funding A\$16.5 million to the region).

Source: AusAID

# UPDATE REPORT

**Table Two: Multilateral funding breakdown by activity\***

Multilateral Climate Change Funding	Committed (A\$ million)	Disbursed by 30 June 2012 (A\$ million)
<b>MITIGATION (MULTILATERAL)</b>		
World Bank's Partnership for Market Readiness	10	10
Scaling-Up Renewable Energy Program	10	9.1
Global Green Growth Institute	10	5
Pacific Appliance Labelling Standards Program (PALS)	3	1
Community Level Climate Change fund for countries in the Mekong sub-region (mitigation)	5	2.5
UNDP Low Emissions Capacity Building Program	5	1
Lites.asia (energy efficiency)	0.5	0.5
UNFCCC MRV program	1	1
Green Climate Fund administrative contribution (mitigation)	0.25	0.25

\* This multilateral table is made up of spending under both the 'multilateral' 'ICCAI', 'IFCI' and 'other' headings as identified in Table One.  
Source: AusAID

# UPDATE REPORT

**Table Two: Multilateral Funding Breakdown by Activity\* (continued)**

Multilateral Climate Change Funding	Committed (A\$ million)	Disbursed by 30 June 2012 (A\$ million)
<b>ADAPTATION (MULTILATERAL)</b>		
Support for the secretariat functions of the Alliance of Small Island States (AOSIS)	1.5	1.5
Adaptation Fund	15	0
Least Developed Countries Fund	24	24
Community Level Climate Change fund for countries in the Mekong sub-region (adaptation)	5	2.5
UNFCCC workshops for the Adaptation Fund	0.2	0.2
Green Climate Fund administrative contribution (adaptation)	0.25	0.25
<b>OTHER MULTILATERAL (MIXED)</b>		
Pilot Program for Climate Resilience (ICCAI)	2.4	2.4
Forest Investment Program (IFCI)	25.5	25.5
Clean Technology Fund (other)	25	25
Global Environment Facility (other)	37.8	37.8

\* This multilateral table is made up of spending under both the 'multilateral' 'ICCAI', 'IFCI' and 'other' headings as identified in Table One.  
Source: AusAID



ISBN 978-1-922003-47-8

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