

# Multilateral Accent

## Editorial

Climate change knows no borders. Storms, flooding, drought, and retreating glaciers: the effects of climate change all have been observed across the entire globe. The hardest hit countries are the developing ones, which lack the resources for adaptation. Climate change threatens human lives and livelihoods, as well as the substantial progress made in poverty reduction over the past decades. In light of this, SDC and SECO rallied in favour of reducing greenhouse gas emissions and enhancing the resilience & adaptive capacities of vulnerable populations as part of the international development cooperation. Sustainable development and the reduction of poverty and global risks alike remain the overarching goal. For its climate related programming, Switzerland engages with diverse partners – from partner countries, the private sector, civil society and universities. It has developed a global programme on climate change. A key pillar is the close cooperation with selected multilateral partners, particularly the multilateral development banks and the newly-established Green Climate Fund. Thanks to their global presence, broad knowledge base and operational experience, these organisations can be the decisive step forward for the implementation of the global climate agenda. This makes them a cornerstone of Switzerland's engagement in the field of climate change, which aims to maximise its impact and effectiveness.

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## Global warming and financing

### Price on climate

**PROSPECTIVE** The financial architecture for supporting developing countries to cope with global warming will soon become stronger with the advent of the Green Climate Fund (GCF). This fund should enable to better support climate change adaptation.

How much is a trillion dollars? It is of course a million million or a thousand billion but it is difficult to grasp such an amount in concrete terms. Think of it this way: to have a million dollars, you would need a ten-centimetre stack of thousand-dollar bills. A trillion-dollar stack would be 100 kilometres high. According to the International Energy Agency, that is how much needs to be invested in the energy sector alone each year from 2011 to 2050 to ensure the transition towards a low-carbon global economy.

We are a long way from that. Total climate-related financial flows in 2013 came to USD 331 billion, down from USD 359 billion in 2012. This amount includes all transactions, from every country and of every kind, including both public and private-sector funds. The latter account for some 58% of the total. A diagram of these financial flows would look like a map of the switches at a rather large railway station. The research centre that publishes these figures, the Climate Policy Initiative, is quick to point out that they do not tell the whole story. The decrease is due mainly to the fall in the cost of renewable energy, especially of solar systems. Moreover, the experts note, in addition to activities that exclusively target the climate there are others with beneficial collateral effects that are difficult to quantify. To further muddy the waters, some of these investments overlap, making them difficult to track.



*Curbing global warming will require financial commitment and political will.* Photo USDA

Two instruments established under the Convention on Climate Change should make things easier to manage: the Standing Committee on Finance, tasked with issuing recommendations for improving the consistency and coordination of climate-related funding, and the MRV (Monitoring, Reporting and Verification), a set of rules designed to verify emissions and the measures taken by different countries, allowing better targeting of funding.

#### Multilateral instruments

Climate funding instruments are numerous and diverse. These days there is hardly a public-sector institution without a “climate” section in its portfolio. In the multilateral aid sector, the Global Environment Facility (GEF) has long been the most important player, bringing together 183 countries, international institutions, civil society and the private sector. Created under the auspices of the World Bank in 1991, it is dedicated to “global environmental issues” including climate. The GEF became an institution in its own right in 1994, a transition it claims gives developing countries a greater say in the decision-making and implementation process. The GEF serves as a financing mechanism for

five international conventions, three of which were launched at the Rio conference in 1992. One of these is the United Nations Convention on Climate Change, whose next conference, in Paris at the end of 2015, should adopt a new agreement that will enter into force in 2020.

GEF funded projects range from regional urban resilience strategies to carbon emissions reductions in the aviation industry, along with local solar energy and biomass initiatives. These projects are most often executed through the World Bank itself, the United Nations Development Programme (UNDP) or the United Nations Environment Programme (UNEP).

In response to gathering pace of global warming, the World Bank established in 2008 the specialised Climate Investment Funds (CIF) with an endowment of USD 8 billion. Operating in 63 countries, the CIF support projects that are linked with four distinct areas: clean technology, renewable energy, forests and “climate resilience”, that is the capacity to withstand change. This aid, channelled through regional development banks or specialised agencies, generally also makes it possible to raise private co-financing, sometimes in significant amounts. The World Bank also has several funds related to carbon markets. For example, the institution has just launched a pilot project that provides results-based aid



*Solar energy is one of the areas in need of investment. This administrative centre, which was renovated with the support of the United Nations Mission in Liberia and the FAO, is solar-powered.*

Photo UN/Christopher Herwig

linked to reductions in emissions. It will be based on auction pricing for carbon, but subject to a price floor, with the aim of stimulating investment in low-emissions projects in developing countries.

#### **The Green Climate Fund**

Because of its global impact, climate change is tearing down the barriers between rich and poor countries. While the whole world is affected, it is the most vulnerable populations everywhere who are most exposed, especially in the least developed countries. Developing countries, especially emerging countries (China has become the leading producer of CO<sub>2</sub>), are called to do their part in efforts to limit global warming, the more so considering that urbanisation is responsible for 70% of the world's carbon emissions.

Still, the industrialised countries have a historical responsibility for the build-up of greenhouse gases, and the developing economies lack sufficient means to invest in “green strategies” at home. According to an analysis by the Climate Policy Initiative, three-quarters of climate-related financial flows in 2013 were disbursed in the country of origin of the funds, and only 10% went from OECD members to developing countries. To overcome this shortcoming, the Copenhagen Conference created in 2009 the Fast-start Finance programme. It raised over USD 35 billion for developing countries between 2010 and 2012.

The paradigm shift sought by the UN Convention on Climate Change should arrive in 2015 with the inception this autumn of the ambitious Green Climate Fund (GCF), following four years of tough negotiations regarding its structure. Decided at the Copenhagen conference in 2009 and established at the Durban conference in 2011, the fund is intended to gather and channel financial resources for supporting low-carbon growth and fostering climate change adaptation in developing countries for the long term. It will be one of the beneficiaries of the USD 100 billion package of public and private sector funds that the countries of the northern countries have committed to provide by 2020. Current pledges have already exceeded USD 10 billion, and more is expected by autumn, when the initial disbursements are scheduled. (Switzerland is contributing USD 100 million.) The GCF should become the backbone of the financial architecture for the climate. Its mission is to catalyse funding and limit its fragmentation.

### **RENEWABLE ENERGY IN THE LEAST DEVELOPED COUNTRIES**

Prevention is better than cure. Applied to climate, the old saying could mean “better to install renewable energy from the start without going through a polluting energy phase first”. This is the aim of the Scaling Up Renewable Energy in Low Income Countries Programme (SREP), an initiative of the World Bank's Climate Investment Funds (CIF).

By supporting deployment of large-scale renewable energy in low-income countries, the SREP seeks to demonstrate the economic, social and environmental viability of low-carbon development. Its areas of operation include geothermal, biomass and hydro, solar and wind power generation. Demand, according to the SREP, is strong, with some 40 countries expressing interest. There are currently 27 pilot countries (including one regional programme). Funding is designed to achieve significant leverage effects. Just one example: the USD 136 million approved for 12 projects is expected to attract USD 1 billion in private-sector co-financing.

The SREP has USD 796 million in available resources, out of the CIF's total of USD 8.1 billion. Funding is allocated through the five regional development banks. Switzerland has contributed USD 26 million.

<https://www.climateinvestmentfunds.org/cif/node/67>

## Mitigation and adaptation

There are still numerous details to fill in. Who will be accredited to channel GCF funding at the international level? The World Bank, the UNDP and regional development banks top the list. And at the national and sub-national level? We shall find out this summer. The candidates are being assessed largely on their fiduciary guarantees and their social and environmental standards. Who will decide how funds are to be allocated? The Fund's secretariat and board, but the detailed procedures must still be worked out. Answers to these questions will emerge in the coming months, but "the main point for the donor countries is that the Fund has been launched", explains Anton Hilber, head of the Global Programme on Climate Change at the Swiss Agency for Development and Cooperation (SDC), a participant in the negotiations. (Switzerland and Russia share a seat on the Fund's board.) For the time being, disbursements will take the form of grants and loans, but other instruments such as guarantees and insurances may be introduced later. "The Fund should also support existing national funding mechanisms in the emerging countries", notes Hilber.

The beneficiary countries will have direct access to the Fund. Simply put, they will be able to present projects without going through an institutional intermediary, projects that will subsequently be examined and approved by Fund officials. Thus donors will not be able to earmark funds for a specific project, only to put them in a common pot. Half of the funding will be devoted to mitigation of global warming, the other half to the adaptation needed to cope with the changing climate (see article on p. 5), at the request of the developing countries. The latter area remains largely underfinanced, although its portion is growing.

## The private sector

Already today the private sector provides the bulk of financial flows related to climate change, and experts are convinced its role will only expand. Official aid development will still be critical, but increasingly as a lever to facilitate private sector participation, as it is the case today. For example, in the World Bank's Scaling Up Renewable

Energy in Low Income Countries Programme (SREP, in which Switzerland takes part – see text box on page 2) which is an initiative of the Climate Investment Funds, "we estimate that one dollar of public money draws an average of six to seven dollars of private funds", notes Stephan Kellenberger, who is responsible for climate issues at the Economic Cooperation and Development division of the State Secretariat for Economic Affairs (SECO).

This is why donor countries insisted on a dedicated mechanism for the private sector within the framework of the GCF. This private sector facility has a dual mission: supporting small and medium enterprises in developing countries, where the private sector represents 60% of GDP and 70% of jobs, and encouraging large-scale involvement by international private-sector entities in low-carbon projects in those same countries. Multilateral aid can contribute by supporting objectives such as institution-building.

## Changing scale

Two specific instruments administered by the GEF will bolster its efforts. One, the Special Climate

Change Fund (SCCF), focuses especially on technology transfer. The mission of the other, the Least Developed Countries Fund (LDCF), is to respond to the most pressing needs of these countries. In both cases, according to the GEF, demand far outstrips supply.

The GCF and GEF will be the Climate Convention's main funding tools from now on. The GEF has the hindsight of experience from its nearly 15 years of existence, however its resources are more limited (USD 4.4 billion) than those of the GCF. Responding to a question from specialised network RTCC (Responding to Climate Change) during the Lima conference in December 2014, William Ehlers, head of external affairs for the GEF, highlighted their complementarity, saying, "The GEF has the advantage of being able to take bigger risks, of being able to try out new ideas, and of doing it across the board. Since the GEF is involved in the financial mechanisms of the various conventions, we can do things in this integrated manner. The GCF can take those ideas and then scale them up with their larger financial capacity." ■

## Think globally, educate locally

"The transition to green and climate resilient development requires unprecedented levels of awareness, knowledge and skills." Based on this creed, the UN CC:Learn partnership was created by over 30 multilateral organisations, with funding provided by Switzerland. Its mission is to support knowledge sharing, foster the development of common climate change learning materials and coordinate educational initiatives, all at both the global and the national level.

The primary beneficiaries are the governments putting climate change learning strategies in place, together with associated civil society and private sector stakeholders. The initiative addresses sectors ranging from

agriculture to health, transport and forestry, as well as training in negotiations.

A second target audience consists of national and regional educational institutions interested in strengthening their capacities in this area. Other development partners can take advantage of the programme to better align their capacity development support with national priorities.

UN CC:Learn has also developed an online knowledge sharing platform. This internet portal not only provides access to a wealth of information, it also offers online learning modules.

Find out more at:  
<http://unccllearn.org>

# “This will be the fourth industrial revolution”

**INTERVIEW** Thomas Stocker, Professor of Climate and Environmental Physics at the University of Bern, has been co-chair since 2008 of the Science working group of the United Nations Intergovernmental Panel on Climate Change (IPCC). He is also the Swiss candidate for the IPCC’s chairmanship. Native from Zurich, he underscores not only the urgency of acting, but also the economic opportunities that climate change offers.

**Professor Stocker, is it too late to meet the goal of limiting global warming to 2 °C by 2100?**

It’s not too late, but that goal is becoming extremely ambitious. We have already used up two-thirds of our available carbon budget. If we continue emitting as we do today, the remaining third will be exhausted in 25 years. Today we emit ten gigatonnes of carbon in the form of CO<sub>2</sub> globally. We’ll have to reduce that to zero in the span of a few decades.

**How?**

Economists agree that a 5% reduction in emissions per year is the absolute maximum that the economy can sustain. At that pace, it will still be possible to meet the 2 °C target. But if we go on as today, we will lose half a degree every ten years in relation to that target.

**The issue concerns all countries of the world and changes the traditional north-south relations in multilateral work. What is going to happen?**



«It will always be the most vulnerable in each society who are affected the most». Photo Unibe

It’s true that the traditional north-south breakdown no longer works. We are trying to create new categories — low-income countries, for example — but there is strong resistance. We have to address the problem in a more dynamic fashion. The World Bank and the scientific community are already doing this. But we have not got there yet in our agreements and intergovernmental documents.

This question of equity is the most difficult. Who can tell whom what to do? We, the industrialised countries, have generated 50% of all CO<sub>2</sub> since the start of industrialisation age. But our countries also invented some of the

technology for reducing emissions. China is the biggest emitter at the moment, but it uses only 11% of the carbon budget. For emerging countries, using fossil energy is not the only road to development, but it is the cheapest.

**So what should we do?**

We at least have to avoid making the same mistakes again. We also have to make the latest technologies for reducing emissions more accessible and decentralise access to those technologies. But also, of course, we have to re-examine how we consume. Everything should be recycled.

**What is the most ambitious thing we can expect at the Paris Conference next December?**

A binding agreement and a road map for the industrialised countries, with another for the developing countries. The second-best result would be to form a “coalition of the willing”, i.e. those states that are willing would take on firm commitments for themselves.

Changing our production methods also represents an opportunity for the markets. Investments will be needed at first for rolling out the technologies, but after that there will really be a chance to do business. I believe this will be the fourth industrial revolution.

**Realistically, in your opinion, where are we headed?**

Since the Lima conference (December 2014, ed.), the States have begun declaring their “Intended Nationally Determined Contributions” (INDCs, non-binding). The Convention on Climate Change is collecting these commitments, and this summer we’ll be able to calculate whether they will be sufficient.

**Switzerland announced its intentions on 27 February. Is our effort sufficient?**

In the long term — the second half of the 21st century — CO<sub>2</sub> emissions will have to fall to zero. A 50% reduction, as Switzerland has announced, means only half of the work will have been done. The challenge, above all, is to get started building the infrastructure for a CO<sub>2</sub>-free economy in our country. This task will require massive financial resources, but it will also create jobs. The emissions cuts achieved abroad [announced by

## IMPRINT

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Switzerland] could be a provisional solution, but for every franc invested there will be one less for this great undertaking. Switzerland still has enormous potential in the fields of transport and construction, using nothing more than technologies that already exist. In addition, it could play a leading role in research and development at the international level to create and commercialise the products of tomorrow.

#### **How would you assess the political will?**

It is true that there is a lack of will to advance more rapidly. The enthusiasm is not there. The heads of state are all focused on the present. This attitude is not compatible with the challenge of climate change. Still, we did succeed in doing something about the ozone layer, for example. We found a substitute product, adopted the Montreal Protocol (1987) and prohibited harmful gases. Today the ozone layer is recovering.

#### **One of the key issues is how to finance the Green Climate Fund (GCF). Is it the right instrument for the job?**

The fund is very important. It will receive a part of the USD 100 billion per year that needs to be raised by 2020, and that is where the sticking point is. Beyond financing, rules need to be set for using the fund. The point is it is difficult to prove that a disaster such as typhoon Haiyan in the Philippines in 2013, for example, was caused by climate change.

#### **There is more talk these days of adaptation (“managing”). Are the efforts for mitigation (“preventing”) no longer enough?**

Climate change is already here. We have to adapt continuously. The real question is how much we can take. Adaptation has its limits. If the sea level rises, land will disappear and the inhabitants will have to leave. If there is a drastic reduction in rainfall, it will not be possible to grow crops.

The crucial thing is not to forget that mitigation is still essential. We have no other choice but to emphasise both. We would be fooling ourselves to think we can simply raise the target to 3 °C. It will still take effort. We can reduce vulnerability in the face of risks. But we are not all equal — it will always be the most vulnerable in each society who are affected the most. ▮

## Sustainable development

# Mitigation and adaptation, two sides of the same coin



**People living in coastal areas are among the most vulnerable to the effects of climate change, like here in Mozambique.** Photo World Bank/Andrea Borgarell

**ANALYSIS** The strategy to tackle global warming includes both mitigation to limit its extent and adaptation to deal with its effects, which are already being felt — in other words, smart development.

For a long time the word “adaptation” was taboo when discussing climate change. Is deciding to adapt not tantamount to surrender? In 1992, future United States Vice President Al Gore wrote that this option was “a kind of laziness, an arrogant faith in our ability to react in time to save our skins”. In 2013, six years after receiving the Nobel Peace Prize for his fight against global warming, he admitted in an interview with the website samefacts that he had been wrong — not in opposing the deniers who proposed adaptation as an alternative to mitigation, but in not “immediately grasping the moral imperative of pursuing both policies simultaneously, in spite of the difficulty that poses.”

Mitigation of global warming involves reducing the sources of greenhouse gas emissions along

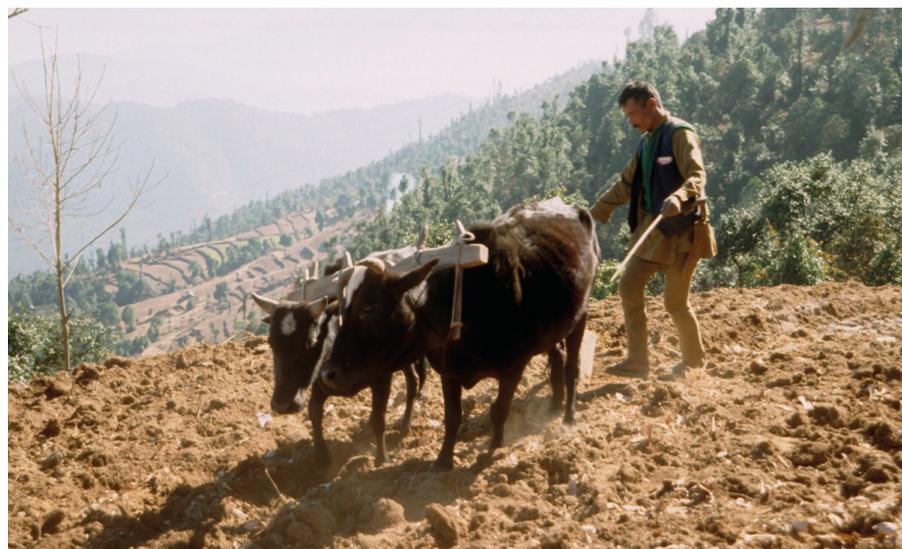
with conservation and creating “carbon sinks” (typically forests) to absorb CO<sub>2</sub>. The principal measures are in the domains of energy and agriculture. In addition, carbon markets — sometimes criticised as a means for buying the right to pollute — are being put in place. According to the World Bank, nearly 40 countries and 20 local entities (cities, provinces, etc.), representing 22% of global emissions, are using or will have access to local or global carbon markets. Using this tool, China estimates it will be able to reduce its emissions by 40 to 45% in 2020 compared to 2005. Mexico has a national plan to reduce its emissions by 30% by the same date. But it is the price assigned to carbon, which remains uncertain, that will make the difference. In 2014 the World Bank formed a Carbon Pricing Leadership Coalition with the aim of removing these uncertainties.

Adaptation, for its part, entails limiting the impact of climate change, reducing the vulnerability of populations and strengthening their resilience, or capacity

to deal with adverse conditions. The aim is to reduce risk exposure with a view to minimising the impact of disasters that we think of as “natural” but that are often aggravated by human activity. Measures under consideration range from relocation (of populations or agricultural zones) to upgrading infrastructure through flood control and installation of local weather alert systems. In a best-case scenario, mitigation and adaptation should function in synergy. In reality, they are likely at times to be the subject of trade-offs to the benefit or detriment of one or the other. For the moment, an analysis of the initial implementation (2010–2012) of the Fast-start Finance programme for developing countries shows that 70% of funding benefited mitigation measures, although the objective had been to foster adaptation. One hurdle, it appears, is the difficulty of moving from pilot projects to large-scale implementation.

### Adapting to adaptation

But what do we mean by adaptation? In 2007, an opinion piece in the journal “Nature” criticised the Convention on Climate Change for applying the term “in the narrowest sense — as actions taken in response to climate changes resulting from anthropogenic greenhouse-gas emissions” instead of considering “a much broader range of actions that make societies more robust to changes, including, but not limited to, those caused by climate change”. In other words, vulnerability to climate change occurs on top of socio-economic conditions or an approach to development that is already unfavourable and must be taken into account. Daniel Maselli, senior policy advisor for



*A variety of measures help farmers adapt to climate risks such as this one here in Nepal, where crops and forests exist side by side.* Photo FAO/Gianpiero Diana

climate and environmental issues at the Swiss Agency for Development and Cooperation (SDC), feels the discussion has matured. “There have been changes since then, notably due to the links currently being made between development and risk management. We are paying much closer attention to the connection between risks due to climate and to human intervention.”

We are still searching for the right words to express these ideas. A blog post published in 2012 on the website of CGIAR, the global research partnership for a food-secure future (of which Switzerland is a founding member), noted that the language used in materials on climate change could be a hindrance to the diffusion of “climate-smart agriculture”. One post there is entitled “Encouraging farmers to adapt? Then communicate it properly”.

Echoing these concerns, a study at the Graduate Institute of International and Development Studies in Geneva led by Marc Hufty, Professor of Development Studies, points to the same problem. (The results will be published in article form in 2015). Entitled “Adapting to Adaptation”, the study investigates the chain of transmission of the concept from the international to the national level, then down to the regional and local governance level where it is implemented, specifically in Pakistan and Peru. Hufty’s conclusion: “Rural people are seldom listened to, and we project our way of seeing things onto them. Outsiders come to them and explain ideas that were conceived in English, translated into, say, Spanish and then into Quechua, and that have no connection to their culture. Rural people are accustomed to adapting, but they have a holistic view of life; they don’t chop up problems or solutions the way we do. We have to keep that in mind.”

“It is true that the terms used in United Nations or multilateral agencies are difficult to use in the field”, admits Daniel Maselli. “Our approach should not be solely technical or economic.” As a (good) example, he cites a Swiss climate adaptation project in Peru — a small project to provide support for farmers, but one with considerable depth. “This type of intervention takes more time, more commitment, but not necessarily more funds”, says Maselli. “Everyone talks about money, but that may not be the most important factor.” ■

### ADAPTATION AND RISK REDUCTION

The Global Fund for Disaster Risk Reduction (GFDRR) was created to address the link between adaptation and risk management. It supports countries in their strategies for implementing the Hyogo Framework for Action for risk reduction. The Hyogo Framework for Action (HFA) is the first plan to explain, describe and detail the work that is required from all different sectors and actors to reduce disaster losses.

Affiliated with the World Bank and the UNDP, the GFDRR, created in 2006, has the official aim of “integrating disaster risk reduction and adaptation to climate change into development strategies”.

Its areas of focus are broad: management of coastal zones, natural resources, waste, land, tourism, etc.

Switzerland contributes CHF 16 million to the GFDRR’s activities, with funding from the SDC’s Humanitarian Aid and Global Cooperation departments, and its Global Programme on Climate Change.