

The Bonn-Marrakech Agreements on Funding

Saleemul Huq

The third assessment report of the Intergovernmental Panel on Climate Change (IPCC) has highlighted the enhanced vulnerability of the poor developing countries to the adverse impacts of human induced climate change (IPCC, 2001). It goes on to emphasize the need for countries to take adaptation measures and to build adaptive capacity to climate change. This issue was also recognized by the United Nations Framework Convention on Climate Change (UNFCCC) which created several funds at the second half of the sixth Conference of Parties (COP6 bis) held in Bonn, Germany in July 2001. This was followed at the seventh meeting (COP 7) in Marrakech, Morocco in November 2001 where the mechanisms for disbursement of these funds was agreed to be through the Global Environment Facility (GEF):

The newly created funds were as follows (Decision x/CP.7, title: Funding under the Convention, F in Marrakech Accords):

1. **A Special Climate Change Fund** to support:
 - (a) *Adaptation*
 - (b) *Technology Transfer*
 - (c) *Energy, transport, industry, forestry and waste management and*
 - (d) *Activities to assist developing country parties ... in diversifying their economies* (Decision title: Matters relating to Article 4, paragraph 13 of the Kyoto Protocol, H in the Marrakech Accords)
2. **A Least Developed Countries (LDCs) Fund** to support (*inter alia*) preparations of national adaptation programmes of action (NAPAs) (Decision x/CP.7, Funding under the Convention, F in Marrakech Accords)
3. **A Kyoto Protocol Adaptation Fund** to support “*concrete adaptation projects and programmes in developing country Parties that have become Parties to the Protocol*”. This fund is to be financed from a share of the clean development mechanism (CDM) projects. In addition Annex I Parties that “*intend to ratify the Kyoto protocol*” are “*invited to provide funding, which will be additional to the share proceeds on clean development mechanism project activities*”(Decision title: Funding under the Protocol, I in Marrakech Accords)

It should be noted that the first two funds above are Convention funds while the last is a Kyoto Protocol fund. The disbursement of the two Convention funds was agreed to be done through the Global Environment Facility (GEF) as the “*entity which operates the financial mechanisms of the Convention, under the guidance of the Conference of Parties*”.

The COP gave further guidance to the GEF on these funds to be used for the following:

- (a) *Strengthening, in particular vulnerable countries and regions identified in stage I activities and specially countries vulnerable to climate-related disasters, the implementation of country-driven stage II adaptation activities that build upon the work done at national level, either in the context of national communications or of in-depth national studies, including national adaptation programmes of action (NAPAs).*
- (b) *Establishing pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide real benefits, and may be integrated into national policy and sustainable development planning.*
- (c) *Supporting the continuation of the “country-team” approach, which enhances the collection, management, archiving, analysis, interpretation and dissemination of data on climate change issues and increases national commitment.*
- (d) *Enhancing the capacity of their sub-regional and/or regional information networks to enable such networks to serve as repositories of climate change related information on vulnerability and adaptation assessments and geographical information systems.*
- (e) *Improving climate change related data collection (for example, local emissions and regional factors) and information-gathering, as well as analysis, interpretation and dissemination of these data to national policy makers and end-users.*
- (f) *Strengthening and where necessary establishing:*
 - (i) *National, sub regional and regional databases on climate change,*
 - (ii) *Sub regional and/or regional climate change related institutions and “centers of excellence” to enable these institutions and centers to provide a supportive framework, which could include information retrieval and technical support.*
- (g) *Developing and implementing, as appropriate, prioritized projects identified in their national communications.*
- (h) *Undertaking more in-depth public awareness and education activities and community involvement and participation in climate change issues.*
- (i) *Building the capacity, including, where appropriate, institutional capacity, for preventive measures, planning, preparedness for disasters related to climate*

change, including in particular, contingency planning for droughts and floods in areas prone to extreme weather events.

- (j) *Strengthening existing and, where needed, establishing early warning systems for extreme weather events in an integrated and inter-disciplinary manner to assist developing countries, in particular those most vulnerable to climate change.*
- (k) *Supporting the continuation of GEF related programmes which assist Parties that are at various stages of preparing and /or completing their initial national communications (Decision x/CP.7 – title: Matters relating to National Communications under the Convention; National Communications from Parties not included in Annex I to the Convention; Other matters relating to communications from Parties not included in Annex I to the Convention, section V-B-2 in Marrakech Accords).*

At the COP bis meeting in Bonn a number of developed countries (EU, Canada, Norway, New Zealand, Switzerland and Iceland) made a political statement that they would provide a minimum of \$410 million per year in predictable and reliable funding for climate change activities (including their climate change contributions to GEF) from 2005. Canada also announced an immediate grant of \$6 million to jump-start the Adaptation Fund. All these countries also called for “*streamlining of GEF processes*”. The US announced that it would intensify its bilateral and regional programmes, as well as pre-existing multilateral ones (however it made a distinction between Convention funds and Protocol funds). At the COP7 meeting in Marrakech the mechanisms for the disbursement of the funds was agreed. Although it is still not clear how much of this commitment is new money and how much is old money re-labeled, nevertheless it is probable that the new funds will be created and will be used for the purposes outlined above.

The question that needs to be answered is: What is the best way to use such new funds? The GEF which is the designated executing agency for the disbursement of the two Convention funds does not actually disburse funds to countries directly but does so through one of its three designated executing agencies, namely the World Bank, UNDP and UNEP. Although, in theory, there is supposed to be some degree of separation and complementarity between the three executing agencies (e.g. UNEP is supposed to support technical and scientific inputs, UNDP to do capacity building and the World Bank to do investments) in practice there has been some overlap and competition between the agencies. Many of the developing countries have also complained about the difficult process involved in gaining access to GEF funding in the past. It is therefore necessary for GEF to develop streamlined and easily understood and applied procedures to enable the LDCs to gain access to the new funds.

The following are some suggestions on some possible ways for the GEF to proceed:

1. *Determine priorities by global analysis of who is most vulnerable and where adaptation can do most good:* This has the advantage of being

most equitable (at least theoretically) by directing funds to where they will be most needed or do most good. However it has major disadvantages as it requires the funding agency to make the (essentially political) judgment of which countries and regions are “more” vulnerable than others. It should also be noted that where funds will be most needed and where they will do most good is not the same. Funds are likely to do most good (i.e. be most effective) in those countries where there is already some physical and /or institutional infrastructure in place and clear understanding exists of vulnerabilities. On the other hand funds may be most needed in those countries where these conditions are not met. It would also leave out local stakeholders and miss the diversity of local situations.

2. *Fund individual projects on a case-by-case basis:* This has the advantage of being the easiest and quickest to disburse funding and is relatively easy to administer. However a major disadvantage would be that funds would go to those projects which were presented first in the correct format and hence might miss some of the more needed ones. This has indeed been some of the experience with previous GEF funded projects where smaller and poorer countries unable to prepare projects according to GEF criteria have tended to get less funding than others.
3. *Allow countries to set their own priorities:* This would have the advantage of ensuring a comprehensive assessment of needs and priorities at a national level and would also be able to involve local stakeholders. The COP7 decision for the LDCs to carry out the NAPAs is a tacit support to this approach. However the disadvantages would be that it would not set priorities amongst countries and may not address the greatest risks. It may also delay the disbursement of funding for actual adaptation projects.

Recommendations

In view of the fact that the new funds for adaptation (both the Convention as well as the Protocol funds) and the LDC fund will take some time to be up and running (the convention funds are unlikely to start before 2005 whereas the Protocol fund is unlikely to start till 2008) there is a window of opportunity to be innovative and provide funding in the first few (2 to 4) years for all developing countries (with emphasis on LDCs) to carry out a national level adaptation assessment using similar (but not necessarily exactly the same) methodologies and involving local stakeholders to set priorities for action. This will produce the national adaptation plans of action (NAPAs) which will identify and prioritize adaptation activities (including both adaptive capacity building as well as “concrete” adaptation projects). This could best be accomplished through a capacity building type programme implemented through UNDP (as they have the necessary offices in every country to provide adequate back up support) and using the in-country

teams that were involved in earlier studies. It is important to note that most developing countries have already carried out their preliminary vulnerability and adaptation national assessments (many of which have been included in their National Communications). Thus they will be able to build on what has been done before and follow up using more up-to-date methodologies such as the Adaptation Policy Framework being developed by UNDP.

The developing countries (specially the LDCs and SIDS) could also benefit from technical and scientific advice through UNEP. This could include international and regional experts as well as training workshops and other means of sharing experiences and knowledge. The field of adaptation science is a rapidly developing field and the country teams will need to have access to the latest scientific knowledge as they do their NAPAs. UNEP (together with IPCC) has already started a project of supporting scientific research on adaptation in developing countries through the Assessment of Impacts and Adaptation to Climate Change (AIACC) project funded by GEF. The results of such research should be fed into national adaptation planning in real time.

At the same time in a few regions and countries which have already done stage II adaptation assessments (e.g. the Caribbean, Pacific and Bangladesh) a number of pilot projects could be undertaken in different sectors. These could be chosen to provide a mixture of geographical areas as well as sectors (e.g. coastal zone management, disaster mitigation, water resource management, agriculture, etc) to provide lessons on what works best. Such a series (of say 15 to 20 or so) pilot projects would be best supported through the World Bank who would be able to learn from the experiences and incorporate the lessons into their normal bank lending portfolio for infrastructure in those sectors in developing countries.

Thus by 2005 (when the funding levels would be raised and stabilized) there would be a substantial body of knowledge of adaptation measures needed at the country level, a better in-country understanding and capacity to carry out such projects (through the NAPAs) and knowledge of what projects were best suited in which areas (through the pilot projects). This would enable the next phase of actual adaptation funding to proceed on the basis of a better understanding than we have at present.

References

IPCC, 2001. Third Assessment Report.

UNFCCC, 2001. *The Marrakech Accords and the Marrakech Declaration*, available at http://www.unfccc.int/cop7/documents/accords_draft.pdf