Summary of COP18 Side-event on Dec 1: Promoting the Busan Building Block on Climate Finance and Development Effectiveness

Doha, December 5, 2012

Progress towards making climate finance more effective in development was the topic of discussion in a well-attended 18th Conference of the Parties (COP18) to the United Nations Framework Convention on Climate Change (UNFCCC) side event on December 1, featuring representatives of the Korean, Philippine, and Ugandan governments, the Export-Import Bank of Korea, the OECD, UNDP, and civil society – IBON International.

The event, co-organized by IBON International and the Korean Ministry of Strategy and Finance, with support from Korea Eximbank, Better Aid, OECD, UNDP and the CDDE Facility, was held on December 1, 2012, at the Qatar National Convention Center, Doha. Its focus was on the Busan Building Block (BBB), a voluntary partnership to promote coherence and collaboration across climate and development communities established at the Fourth High-Level Forum on Aid Effectiveness (HLF4), held in Busan, Korea, in 2011.

Mr. Seop Shim, Senior Executive Director of Korea Eximbank, welcomed everyone to the side event and said that climate change calls for a more active approach that integrates climate policy into development strategy. He said he believed there has been a paradigm shift in which climate change mitigation and adaptation are “no longer optional to national development”, and highlighted the main agenda in the Busan Building Block on Climate Finance is to identify and share lessons on development co-operation effectiveness and development policy with implications for climate finance.

Mr. Yannick Glemarec, Director for Environmental Finance of the United Nations Development Programme (UNDP), chaired the event and made mention of UNDP’s deep commitment to the Building Block. He said he believed there is an international consensus that the bulk of funding for climate finance would have to come from the private sector, emphasizing that this would not happen without scaled up public financing and policy environments to enable private investment.

Dr. Jan Corfee-Morlot, Team Leader and Senior Policy Analyst on Climate, Environment and Development at the OECD, stated that from 2005 -2010 there has been an almost five-fold increase in bilateral ODA with climate change mitigation as a principal objective. This rapidly increasing trend in public finance is important in meeting the near- and long-term financial commitments by developed countries to support developing countries under the UNFCCC and to establish the Green Climate Fund. She explained that currently most of North-South public climate finance is reported as ODA by contributing countries, potentially due to a lack of systems for reporting non-concessional transfers.
Dr. Corfee-Morlot underscored broad agreement on effectiveness principles for the management of public funds, quoting the Busan outcome that external funds, including climate finance, should be channeled through existing country systems. She added “we aren’t there yet” and hence the mission of the Busan Partnership. Finally, she shared results from a recent mapping of policy-relevant research initiatives on public climate finance, and identified three area of mutual interest for the climate finance and development cooperation communities: assessing the quantity of climate finance flows, the quality of these and the challenges of national level decision-making to boost effectiveness.

**IBON International Director, Antonio Tujan Jr.,** said the main objective of CSO engagement in the BBB was to facilitate CSO participation in development effectiveness at global and country levels. His presentation clarified that climate finance should be distinguished from ODA, with facilities such as the Green Climate Fund (GCF) able to function as a “firewall, clarifying the distinction between climate finance and ODA”.

He explained that “harmonization and coherence in the face of fragmentation” is a climate finance concern of CSOs. He said it is important the GCF addresses this through harmonization established through country leadership. He emphasized the democratic governance of climate finance, with proportional representation needed in the governance of the GCF, including CSOs and other non-government stakeholders, adding that funding should come principally from developed country public funds.

**Dr. Pradeep Kurukulasuriya, Senior Technical Advisor on Climate Change Adaptation of the UNDP** also said that as climate finance increases, coherence becomes a key issue. He said trying to understand what is happening with climate finance at the national level is “incredibly important”, and that ministries of finance and planning must be more involved in climate finance discussions.

Mr Kurukulasuriya said that countries must be supported to ensure scarce public finance is used for development effectiveness, and that it is critical to get money to where it is needed using existing country systems, emphasizing coherence, transparency and predictability as key issues.

**Dr. Seung-Won Lee, Director of Development Cooperation** at the **Korean Ministry of Strategy and Finance**, explained that Korea cannot repeat past development successes through fossil fuel dependence – this is why it has a 50-year “green growth” strategy. He explained that existing environmental funds are small compared to the required amounts for climate finance, and have weak linkages. This explains the need for the GCF, to which Korea has pledged US$40 million to support capacity building in developing countries. He introduced Korea’s ‘Green Triangle Strategy” creating synergy in climate change: financing through GCF and national budget, ensuring technology through Green Technology Center (GTC), and knowledge sharing through GGGI and Knowledge Sharing Program (KSP).

Mr. Lee said a firm consensus on effective management climate finance is needed and that the Busan outcomes “point us in the right direction”. He said lessons must be learned from development effectiveness, alongside aid effectiveness principles of consistency, transparency, and predictability. He also proposed that BBB require a managing body and a regular supporter’s meeting while keeping discussion channels with other development fora such as Global Partnership and G20.
In the panel discussion, **Vice-Minister Naderen Sano** of the **Philippines Climate Change Commission**, said climate financing is a “plumbing job” – it is about ensuring finance “flows where it is needed without contamination, with minimum leakage”. He emphasized that using country systems is important, alongside aid effectiveness principles of ownership and harmonization, and enhancing coordination among ministries.

Vice-Minister Sano said climate finance must be aligned with multi-stakeholder processes, and explained that the Philippines takes pride in a commitment to civil society and the private sector involvement in policy development. He also highlighted the Philippines’ People’s Survival Fund, to enable communities to enact adaptation projects on the ground, and the Climate Change Commission, established to ensure coherence in climate change policy and climate finance in line with national development plans.

**Mr. Young Hoon Chang, Director General of the Economic Development Cooperation Fund Planning Office at Korea Eximbank**, highlighted the experience of donor harmonization for effective development assistance towards Vietnam’s climate change response through ‘6Banks’, a like-minded donor group comprised of France’s AFD, Japan’s JICA, Germany’s KfW, ADB, World Bank, and Korea’s Korea Eximbank. Multiple donors have consulted with the Vietnamese government and developed Support Program to Respond to Climate Change (SP-RCCs) which have helped streamline climate change and green growth strategies.

Mr. Chang expressed agreement with Mr. Tujan Jr., highlighting donor harmonization at the country level as a key issue, adding that the BBB could help provide collaboration with those who have experience of harmonization at the country level.

**Tom Okurut, Executive Director of Uganda’s National Environment Management Authority**, highlighted the cross-cutting nature of climate change, pointing out that in Uganda climate change funding is still equated to funding the environment sector.

Mr Okurut further said the climate financing received by Uganda has come as ODA. He agreed that climate financing should be channeled through country systems, but highlighted that sometimes this was not the case in Uganda. For example, climate funding is sometimes channeled through CSOs, and in some instances the receiving parties are not aware that their funding is being classified as climate finance.

**The Chair** concluded the event thanking all participants for their interventions and informed that materials on the side event, including a video, will be available shortly on the website - [www.climatefinance-developmenteffectiveness.org](http://www.climatefinance-developmenteffectiveness.org). He invited the audience to pick up the Partnership for Action document to find out more about the BBB, and encouraged interested parties to get in touch and become supporters of this BBB.