Financing the cost of climate change:

Two perspectives on who, what and how.

- The World Bank's climate change agenda:
  Bridging the gaps or widening the North-South divide?

- Financing adaptation to climate change in Malawi

Acronyms

ADF	African Development Fund
AfDB	African Development Bank
CCS	Carbon Capture and Storage
CDM	Clean Development Mechanism
CECAFA	Clean Energy and Climate Adaptation Facility for Africa
CEIF	Clean Energy Investment Framework
CEPA	Centre for Environmental Policy and Advocacy
CIF	Climate Investment Fund
CTF	Clean Technology Fund
DFID	Department for International Development
EAD	Environmental Affairs Department
EU	European Union
FIF	Forest Investment Fund
GDP	Global Domestic Product
GEF	Global Environmental Facility
GHG	Greenhouse gas
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IFI	International Financial Institution
IPPC	Intergovernmental Panel on Climate Change
LDCF	Least Developed Countries Fund
MDB	Multilateral Development Bank
MGDS	Malawi Growth and Development Strategy
MIGA	Multilateral Investment Guarantee Agency
NAPA	National Adaptation Programme of Action
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
PPCR	Pilot Program for Climate Resilience
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
SFCCD	Strategic Framework for Climate Change and Development
TWN	Third World Network
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USA	United States of America
US$	United States Dollar
WB	World Bank
WBG	World Bank Group
WWF	World Wildlife Fund

This paper has two parts.

The World Bank's climate change agenda: Bridging the gaps or widening the North-South divide? is written by Martine Dahle Huse

and the case study from Malawi; Financing adaptation to climate change in Malawi is written by William Chadza and Gracian Banda

The World Bank's climate change agenda:

Bridging the gaps or widening the North-South divide?

Introduction

This report brings attention to the latest development of the World Bank's response to the challenge of climate change. Since 2005 the World Bank has started to expand its role in financing for climate change and during the annual meetings of the World Bank in 2008, an overall framework outlining the World Bank's future plans for engagement with climate change was launched. In June 2008, the World Bank launched the first of its planned Climate Investment Funds (CIFs).

Both these funds and The Strategic Framework for Climate Change and Development (SFCCD) have met considerable scepticism within civil society worldwide. More than 140 organisations and networks have signed a global civil society statement urging developed countries' governments not to support the CIFs[a]. During the World Bank's annual meetings in October, several organisations including Friends of the Earth and the End Oil Aid campaign protested against the "greenwashing" that they claim the World Bank is doing.

"...the World Bank has no leverage in developed countries, [and] is not a global democratic institution."

The purpose of this report is to gather in one place information and criticism about major initiatives regarding climate change and financing through the World Bank. Aiming to reach an audience with varying background knowledge of the climate change negotiations, or the World Bank's financing role, this report starts by explaining some of the major challenges that have been central to the climate change negotiations, focusing on main differences between developed and developing countries' positions. In chapter two we briefly discuss the role of the World Bank in the financial architecture set up for combating climate change, before we go on to presenting the latest development in the Bank's climate change related activities. In the third chapter we present some major concerns raised by civil society and several developing countries before we conclude and give recommendations in chapter four. Readers who are already familiar with the context of the climate change and financing debate presented in the beginning of this report might jump straight to chapter three entitled "Major concerns".

To exemplify the need for financing for climate change, this report finally presents a case study from Malawi (page 18) conducted by the Centre for Environmental Policy and Advocacy (CEPA) on the issue of financing for adaptation to climate change in Malawi.

As the planning and designing of the World Bank's engagement with climate change is ongoing, parts of the information provided in this report might be rapidly subject to change, particularly with regards to the Climate Investment Funds.

1. Climate and development

That development is closely linked to environmental resources, such as the climate, is not a new idea, but has gained more attention in recent years as the impacts of climate change have been felt more severely. 20 years ago, similar attention was paid to concerns about the environmental effects of development, but this did not result in a serious change of action. That the climate is a global good, and at the same time affected by all, challenges our contemporary institutional frameworks based on mostly national laws and regulations. A further challenge to reach a global agreement to preserve the world's climate is the inequality between countries, both in development needs requiring resources, and in responsibility for creating the problem. This chapter addresses some of the issues that frame the debate of financing climate change.

Sustainable development – combining developmental and environmental concerns

When the Brundtland Commission, used the term *sustainable development* in 1987, it was an important recognition that development and environmental concerns go hand in hand. The world needs development that "meets the needs of the present without compromising the ability of future generations to meet their own needs."[1]

Yet, since then the radical content of this concept has weakened somewhat and *sustainable development* frequently seems to be interpreted as synonymous to *sustained growth* often at the detriment of the environment. In fact, we have arrived at the current climate crisis because sustainable development has not been lived up to in practice.

"...sustainable development frequently seems to be interpreted as synonymous to sustained growth often at the detriment of the environment."

The World Bank Group's core mission is "promoting economic growth and poverty reduction",[2] not to protect the environment. In the late 1980s, environmental issues entered the Bank's agenda through pressure from environmental NGOs[3], yet progress has been limited, and the World Bank continues to involve in highly controversial projects.[4]

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1 United Nations. 1987. Report of the World Commission on Environment and Development. General Assembly Resolution 42/187, 11 December 1987. http://www.un.org/documents/ga/res/42/ares42-187.htm

2 Development Committee Communiqué, Washington, D.C. October 12, 2008. www.siteresources.worldbank.org/DEVCOMMINT/NewsAndEvents/21937474/FinalCommunique101208.pdf

3 Bøås, Morten and Desmond McNeill, 2003 *Multilateral Institutions: A Critical Introduction* Pluto Press, London (p.98)

4 The Chad-Cameroon oil pipeline is a recent example where a large-scale fossil fuel-oriented World Bank project failed to deliver poverty reduction. http://www.ft.com/cms/s/0/403f0608-7f37-11dd-a3da-000077b07658.html

The climate crisis has again brought the environmental aspects to the front, and more and more people recognise the severity of the challenge that the world is facing. The reports and recommendations of the Intergovernmental Panel on Climate Change (IPPC) are finally heard and even people who for decades have been deaf to the concerns of researchers are now saying that there is an urgency to act.

Global problems need global solutions

For developing countries the issue of dealing with climate change is particularly pressing because of their high vulnerability and lower capacity to adapt to climate change compared to developed countries. Yet, developed countries will also be severely affected by climate change and perhaps for the first time developed countries must work together with developing countries to solve what must be considered a *global* problem.

The negotiations in international forums such as the United Nations Framework Convention on Climate Change (UNFCCC) have brought to the front how different regions and countries have different concerns. To understand this, it is useful to separate between mitigation, or "avoiding the unmanageable" and adaptation, or "managing the unavoidable". Mitigation is important to limit the damage that climate change will cause, whereas adaptation is needed to cope with the inevitable effects of climate change.

Financing both adaptation and mitigation

There is an urgent need for increased financing for dealing with the consequences of climate change. And in the long run, both mitigation and adaptation are equally important, but as is often the case when financing is scarce, priorities are divided. In a way, there is a conflict of interest or differences in understanding, between countries that are rich enough to think that they can cope with climate change, and maybe even profit from it, and countries who are already struggling with poverty and who might have only humanitarian aid to rely on when the worst consequences of climate change kick in. While developed countries tend to focus on mitigation, developing countries are more concerned with adaptation and how they will manage to achieve poverty reduction when the consequences of climate change are added to their already burdensome development challenges.

The Kyoto protocol recognises this difference in needs and capacity and therefore the differing priorities, of developed and developing countries. Consequently, the protocol exempts developing countries from obligations to commit to mitigation whereas developed countries must commit to reducing greenhouse gas (GHG) emissions. This is embedded in the principle of common but differentiated responsibilities described below.

Developing countries' energy development

Developing countries are concerned that while developed countries have become rich through unsustainable energy resources, developing countries will not be able to use these resources in the same way. Developed countries are responsible for the climate crisis, and developing countries do not want to restrain from using the same sources of energy that developed countries have been able to use. Consequently, these countries oppose restrictions on GHG emissions in the South.

In spite of the divide between the North and the South, the ongoing process within the UNFCCC has resulted in a number of important victories for developing countries:

The principle of "common but differentiated responsibilities"

The UNFCCC recognises that developing countries and developed countries need to work together to face the climate challenge, but it also acknowledges that the differences in social and economic conditions in developed and developing countries must be reflected in the challenges brought about by global warming:

> "The Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof."[5]

Polluter pays

The notion of shared responsibilities also reflects the fact that developed countries are responsible for the large increases in GHG emissions, and that "with due consideration of their relative contributions to the enhancement of the greenhouse effect,"[6] developed countries need to reduce emissions, whereas developing countries must be allowed

5 http://unfccc.int/essential_background/convention/background/items/1355.php

6 http://unfccc.int/essential_background/convention/background/items/1350.php

to increase their emissions to meet development needs:

> "Noting that the largest share of historical and current global emissions of greenhouse gases has originated in developed countries, that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs, [...]"[7]

This means that the countries that are the greatest emitters today must reduce emissions while paying for increases in energy development in developing countries, by making access to the best technologies possible for countries that cannot otherwise afford them:

> "[...] in order for developing countries to progress towards that goal, their energy consumption will need to grow taking into account the possibilities for achieving greater energy efficiency and for controlling greenhouse gas emissions in general, including through the application of new technologies on terms which make such an application economically and socially beneficial,[...]"[8]

From Rio to Copenhagen – Negotiations for a new agreement

There is a need for a *global* financial architecture to address climate change. What does this imply? All countries must contribute and benefit according to UNFCCC principles of common but differentiated responsibilities. The underlying premise of this is of course that all countries must sign up to an agreement.

The negotiations within the UNFCCC process are meant to culminate in an international agreement that will come into force when the Kyoto Protocol expires in 2012. The goal is to get parties to agree to deeper cuts in green house gas (GHG) emissions. Meanwhile developed countries need to follow up their obligations under the Kyoto protocol, which entail reducing emissions to below 1990 levels. If these so-called Annex 1 countries are unable to reach their emissions target at home, they may buy quotas from developing countries.[9]

Rowing the boat forward

There is widespread agreement about the need for action to prevent global warming from surpassing two degrees Celsius, yet it often seems like people are hesitant to act and keep waiting for somebody else to go first. When what is really needed is for everyone to row the boat forward together, it seems like the world is waiting for someone to volunteer to tow the boat to shore.

As we have seen, the climate convention specifically notes that "developed country Parties should take the lead in combating climate change"[10], and currently rich countries are looking to the World Bank to take the lead. The question is whether the World Bank is the right institution to take leadership on this issue?

To answer this question, one must look at two important inherent characteristics of the Bank. Firstly, the World Bank has no leverage in developed countries. The Bank is at the mercy of donors who are overly represented in the governance structure. Adversely, the Bank has a great deal of influence over developing countries because they are often already dependent on the Bank for financial and technical support. In other words, the World Bank has asymmetrical leverage over developed countries and developing countries.

Secondly, the World Bank is not a global democratic institution. It is governed by a board that is undemocratic, the United States hold enough votes to have de-facto veto-power, 8 out of 24 chairs are held by Europeans, and by custom the president is always appointed by the president of the United States.

Still, at the G8 meeting in Gleneagles 2005, the leaders of the world's richest countries, (that are also the largest emitters of carbon in the world,) encouraged the World Bank to take the lead in financing climate change adaptation and mitigation.

While lacking leverage and democracy are two of the reasons to be sceptical of the World Bank being the key institution in combating climate change, there are several other reasons which will be further discussed in chapter three. Before that, we will sketch out various climate-related efforts that the Bank is already engaged in.

7 Ibid.
8 Ibid.
9 http://en.wikipedia.org/wiki/UNFCCC

10 http://unfccc.int/essential_background/convention/background/items/1355.php

2. Frameworks and Financing

There is a plethora of channels for financing for environmental purposes that in some form also include climate change concerns. For the purpose of this report we will constrain ourselves to giving a short introduction to the major initiatives where the World Bank is involved. This includes the Global Environment Facility (GEF), which provides financing for programs dealing with climate change, and the Clean Development Mechanism where the World Bank was involved in developing the carbon market.

Since the meeting in Gleneagles in 2005, where G8 leaders encouraged the World Bank to develop a strategy and instruments for tackling climate change, the Bank has developed the Clean Energy Investment Framework, which has been in place since 2005 and has recently presented its new overarching Strategic Framework for Climate Change and Development (SFCCD). In addition, the Bank has launched two Climate Investment Funds; the Clean Technology Fund and the Strategic Climate Fund, which will soon be made operational. 10 donors have committed altogether US$ 6.1 million to the CIFs.[1]

The Global Environmental Facility

The Global Environmental Facility (GEF) is the financial mechanism for several multilateral environmental agreements including the UNFCCC. The World Bank serves as both a funding institution, the trustee of the funds and as one of the implementing agencies of the GEF, together with the other Multilateral Development Banks and several UN agencies.[2]

"...the World Bank was seen as an instrument that first and foremost served the interest of developed countries."

GEF allocates and disburses around $250 million dollars per year in projects dealing with energy efficiency, renewable energies, and sustainable transportation. It also manages the Least Developed Countries Fund and the Special Climate Change Fund under the UNFCCC.[3] Funding from the GEF has proved difficult to access for many least developed countries because of the complicated application procedure. For further elaboration and comments on the GEF, see the case study on adaptation to climate change in Malawi on page 18.

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1 World Bank press release no 2009/092/SDN http://go.worldbank.org/36H73DPMV0

2 WB website – What is the role of WB in GEF? http://go.worldbank.org/IPKNSA7TJ0

3 GEF website http://www.gefweb.org/interior.aspx?id=232

When the GEF was first set up in 1991, there was already an apparent conflict between developed and developing countries and there was widespread resistance by the G77 countries. The GEF was opposed on the grounds that developing countries had not been adequately consulted and that the World Bank was seen as an instrument that first and foremost served the interest of developed countries.[4] It is interesting to note that the criticism of the G77 in 1991 is remarkably similar to concerns that G77 and other actors have expressed today.

The Clean Development Mechanism

As mentioned in chapter one, the Kyoto protocol allows developed countries to buy quotas from developing countries, so-called Certified Emissions Reductions, when unable to reach emissions targets in country. The Clean Development Mechanism (CDM) is where developed countries can compensate for exceeding their emissions targets at home by paying for projects that will contribute to reducing GHG emissions in a developing country. In order for a project in a developing country to obtain CDM credits, the project must be "additional", meaning that it would not be carried out if it did not obtain credits from CDM.

Additionality is extremely hard to prove and research undertaken by independent actors shows that a high percentage of projects are non-additional, meaning that they would have been carried out regardless of the CDM credits assigned. Having looked closely at hydropower projects receiving CDM credits, Patrick McCully from International Rivers says that the flaws in CDM are inherent and that it is cheated systematically.[5]

The share of CDM projects that go to Africa is only a meagre 2,28 %. The majority of projects are in the Asia and Pacific regions (65,26 %) and a large proportion of this share goes to projects in China.[6] This is linked to another main point of criticism against the CDM that is the bureaucratic procedures involved in obtaining projects. Very few projects go to least developed countries in Sub-Saharan Africa.[7]

Although carbon financing manages to pull together funding for projects to be implemented in developing countries, interestingly, the carbon financing only leads to relative reductions in GHG emissions. As long as there is no cap on carbon financing, CDM and other carbon trading schemes serve as loopholes for developed countries to avoid making cuts in GHG emissions in the North[8] and very often lead to actual increases in emissions in the South.

The Clean Energy for Development Investment Framework

The Clean Energy for Development Investment Framework (CEIF) was developed following the G8 meeting in Gleneagles in 2005, and was launched in 2006. Since then it has guided the World Bank Group's involvement in energy development.

The Framework states that the IFIs need to play a key role in encouraging policy reforms to encourage investors from private sector to finance energy for development. It also talks about the need to reduce the investor risk in carbon trading and calls for more money for adaptation including for insurance programs.[9]

The Bank considers the CEIF a success and claims that is has scaled up efforts and achieved good results in "providing energy for growth" particularly in Sub-Saharan Africa. It also claims to have supported "country-led mitigation-related actions" and that it has "helped position adaptation as a major element of the climate change agenda for developing countries both within and outside the WBG."[10]

Nevertheless, the CEIF has been criticised, as it has not led to a shift in the WBG's investment portfolio from fossil fuel-based installations and large scale projects towards clean energy development. [11]

4 Porter, Bird, Kaur and Peskett, 2008: *New financing for Climate Change and the Environment.* WWF and Heinrich Böll Stiftung http://assets.panda.org/downloads/ifa_report.pdf

5 *CDM – A Bad Deal for the Planet,* presentation by Patrick McCully at Friends of the Earth October 8, 2008 Washington D.C.

6 CDM website http://cdm.unfccc.int/Statistics/Registration/RegisteredProjByRegionPieChart.html

7 Lundin, Nannan and Linus Hagberg, 2008. *An Assessment of the World Bank's Clean Energy for Development Investment Framework*. Swedish Society for Nature Conservation http://www.naturskyddsforeningen.se/upload/Foreningsdokument/Rapporter/engelska/Report_Assessement_World_Bank.pdf

8 Redman, Janet. *2008 World Bank: Climate Profiteer.* SEEN (p.15) http://www.ips-dc.org/getfile.php?id=181

9 2006, *How the World Bank's Energy Framework Sells the Climate and Poor People Short* (BIC, BWP, CBRM, CEE, FoEI, IPS IRN, OCI and Urgewald) http://www.foe.org/camps/intl/EnergyReportDraft091406.pdf

10 WBG, 2008. *Development and Climate Change: A Strategic Framework for The World Bank Group*. presented to the Development Committee October 12, 2008 http://siteresources.worldbank.org/DEVCOMMINT/Documentation/21928837/DC2008-0009(E)ClimateChange.pdf

11 Same as footnote 7 page 8..

Strategic Framework for Climate Change and Development

Building on the CEIF, the Strategic Framework for Climate Change and Development outlines the World Bank Group's plans for integrating climate change concerns into the activities of its institutions for the years 2009-2011. It lists six action areas where the World Bank Group entities will engage:

- Support climate actions in country-led development processes;
- Mobilize additional concessional and innovative finance;
- Facilitate the development of market-based financing mechanisms;
- Leverage private sector resources;
- Support accelerated development and deployment of new technologies; and
- Step up policy research, knowledge, and capacity building.[12]

When it comes to mobilising finance, the Framework mentions the new Climate Investment Funds (see below) and increased replenishment of IDA. It also emphasises strengthening its role in developing countries and promoting markets and mechanisms for Carbon Finance.

Furthermore, the Framework specifies that the World Bank Group will "focus on the inequality and development implications of climate change rather than global environment outcomes, which is the primary responsibility of other international institutions."[13] It also states that the Framework will "inform and support – not override- the operational strategies of WBG entities"[14], meaning that IDA, IBRD, IFC and MIGA are free to follow own standards and procedures. This means that although the Framework recognises climate change as a serious problem, it may not have much of an impact on the WBG institutions operations. This has lead a number of organisations to demand that "The World Bank Group must stop paying lip service to climate action and make real commitments [...]"[15]

12 Same as footnote 7 page 8.

13 Ibid. (p.4)

14 Ibid. (p.6)

15 Redman, Janet. 2008 et al. *Dirty is the new clean: A critique of the World Bank's Strategic Framework for Development and Climate Change*. SEEN (p.1) http://www.ips-dc.org/getfile.php?id=287

World Bank "Climate Investment Funds"

In 2007, national initiatives for financing in response to the challenges of climate change were put forward by three G8 countries, as the United Kingdom announced the launch of an 800 million pound Environmental Transformation Fund, the United States proposed to establish a Clean Technology Fund, and Japan came up with the Cool Earth-50 initiative. Shortly after these initiatives were launched, the World Bank started designing a set of Climate Investment Funds.

At the moment of the G8 meeting in 2008, two funds were ready to be launched: The Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). A program called The Pilot Program for Climate Resilience (PCCR) was also launched as part of the SCF. In addition to these, two other specific funds/programs are in the works under the SCF, a Forest Investment Fund and a Program for Scaling Up Renewable Energy in Low Income Countries. The Forest Investment Fund will probably be launched in early 2009. The purpose and countries that make up the Trust Fund Committee members are presented in the table on page 10.

These funds are so called trust funds, meaning "financial and administrative arrangements with an external donor that leads to grant funding of high-priority development needs, such as technical assistance, advisory services, debt relief, postconflict transition, and cofinancing."[16] At the end of 2006 the World Bank Group (IBRD, IFC and MIGA) were managing 929 active trust funds. A year later, the number of trust funds had increased to 1,015 active funds that altogether made up a portfolio of US$ 21.4 billion.[17] To date, 10 donors have pledged altogether US$ 6.1 billion to the new Climate Investment Funds[18], and this constitutes a substantial increase the amount of resources channelled through trust funds managed by the World Bank Group.

It is still unclear exactly what the funds channelled through the CIFs will provide financing for, and whether the funding channelled through these funds will be additional to existing programs, whether the resources will be provided mainly as loans or as grants, and what the conditions and contents of the programs financed will be. We will come back to this in the following chapter.

16 World Bank website – Trust Funds: At a Glance http://go.worldbank.org/GABMG2YEI0

17 World Bank Group, 2007. *Trust Funds Annual Report*. (p.3) http://siteresources.worldbank.org/CFPEXT/TrustFunds/21892003/TFAnnualReport_2007.pdf

18 World Bank press release no 2009/092/SDN http://go.worldbank.org/36H73DPMV0

Table:
Overview of purpose and countries involved in the climate investment funds

Climate Investment Funds	Sub-program[1]	Purpose[2]	Trust Fund Committee members
Clean Technology Fund		To provide scaled-up financing to contribute to demonstration, deployment and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas emissions savings.	Donors: Australia, France, Germany, Japan, Sweden, UK, USA. Potential recipient countries: Brazil, China, Egypt, India, Mexico, South Africa, and Turkey.
Strategic Climate Fund		This overarching fund will provide financing to pilot new development approaches or scale-up activities aimed at a specific climate change challenge or sectoral response.	Donors: Australia, Germany, Japan, Netherlands, Norway, Switzerland, and the UK. Potential recipient countries: Algeria, Bangladesh, Costa Rica, Indonesia, Kenya, Thailand and Yemen.
	Pilot Programme for Climate Resilience	To provide transformational and scaled-up support for both the development and implementation of national climate resilient development plans.	Sub-Committee members: Australia, Bolivia, Germany, Japan, Maldives, Samoa, Senegal, the UK, and Yemen.
	Forest Investment Fund	Not yet decided	Not yet decided
	Program for Scaling Up Renewable Energy in LICs	Not yet decided	Not yet decided

1 World Bank press release no 2009/092/SDN http://go.worldbank.org/36H73DPMV0 and World Bank, Strategic Climate Fund, June 3 2008 http://siteresources.worldbank.org/INTCC/Strategy/21789810/SCFpaperJunefinalcomments.pdf
2 World Bank press release no 2009/120/SDN http://go.worldbank.org/AVUF843NG0

3. Major concerns raised

As the previous chapter has outlined, the World Bank is engaged in a wide range of financing activities related to climate change, some of which have existed for some time already, some of which are new. There are many civil society organisations and also some governments who have raised critical questions regarding the design of the funding mechanisms and the Bank's role.

Donors choosing the World Bank – a way to retain influence while escaping commitments?

The trust-fund set-up undermines the Kyoto principle of differentiated responsibilities. Setting up trust funds within the World Bank is entirely donor-led, and the donors retain a lot of influence on how the funds are allocated and for what purpose. In this sense, setting up a trust fund in the World Bank is a good way of pursuing one's own agenda for the donors. At the same time, it is very far removed from the Kyoto principle of common but differentiated responsibilities, which implies that developing countries have a *right* to access funding.

There are too many trust funds in the World Bank with overlapping agendas. Among the 1,015 funds, there are many types of funds active, including funds with a focus on the environment. A report launched recently by Heinrich Böll Stiftung together with WWF emphasises the need for coherency among the funds and worries that the proliferation of funds will stand in the way of their effectiveness. It specifically notes that the similarity between the CIFs and the funding schemes managed by GEF raises the prospect for duplication of effort.[1]

"...critics have been asking questions about whether the World Bank is the right institution to take on the issue of climate change"

The design process has been hasty and consultations unsatisfying. The process of setting up the CIFs, and the drafting of the SFCCD have been rushed through with a number of high level meetings and hasty "consultations" with "other stakeholders". Civil society has had little time to comment as they have been facing limited and late announcements of the World Bank's consultations combined with early registration dates and standardised high-tech in-put procedures making it very complicated especially for Southern groups and in particular indigenous people to be heard.[2]

1 Porter, Bird, Kaur and Peskett, 2008. *New financing for Climate Change and the Environment*. WWF and Heinrich Böll Stiftung http://assets.panda.org/downloads/ifa_report.pdf

2 Amazon Alliance letter to World Bank president, September 2008, http://www.amazonalliance.org/sites/default/files/Amazon_Alliance_letter_to_the_World_Bank,_Sept_2008_0.pdf

The linkage between climate change and debt

On the Global Day of Action against Illegitimate Debt, International Financial Institutions & Climate Change (October 13, 2008), a large number of organisations working on debt and development,[1] and the environment signed a statement with the following demands to governments and International Financial Institutions:

1) Cancel or stop payment on all illegitimate debt

2) Stop financing projects and policies that exacerbate climate change

3) Oppose World Bank Climate Investment Funds and other climate programs under the control of the WB & other IFIs.

4) Stop loan-financing of climate programs

5) Pay restitution and reparations for the ecological and historical debts owed to the South.

1 http://www.ldcwatch.org/wcm/content/view/42/1/en/

By lending through the World Bank rich countries distort UNFCCC negotiations. As we have seen, there is within the UNFCCC the principle of common but differentiated responsibilities and respective capacities, and the underlying idea that the polluter pays. These principles are meant to ensure that the outcome of the negotiations becomes fair to developing countries. Starting to lend money for climate change now, before an agreement has been reached for post 2012, undermines the negotiating process. It signals to developing countries that what they can expect from developed countries to face climate change is loans channelled through the World Bank, an institution where developing countries have only minimal influence on decision making.

The G77 and China have stated that funding outside the UNFCCC channels will not be counted towards the obligations that developed countries have under the UNFCCC.[3]

Lacking guarantees that the World Bank will give way to the UNFCCC post-2012. As a response to the concern that these funds would undermine the UNFCCC process, the World Bank introduced a "sunset clause" stating that if and when a new financial architecture for climate change is in place, the CIFs will either be built into that or be dismantled. Nevertheless, some feel that although this looks nice on paper, the real significance of this wording might not be substantial, as we have seen numerous incidents of so-called "Mission creep" in the past, as the World Bank has continued to broaden its original mandate, often duplicating efforts made by other institutions, notably UN agencies.

More debt, more conditionality and further hollowing out of aid?

Developing countries should not have to lend money from donors to face climate change. The fact that the funds channelled through the CIFs will, to a large extent, be given as loans and not grants has generated criticism. A document published by the World Bank outlines some examples of what projects funded by the CTF might look like. These examples are loan financed and include grant elements that vary according to the type of project.[4] The share of loans versus grants will nevertheless depend on how donors choose to provide resources. A large proportion of the pledged contributions so far, notably by the United Kingdom to the CTF, will be given as loans. Developing countries are particularly alarmed that they will be offered loans to deal with problems they did not create.

Civil society opposes lending for climate change and says the IFIs must pay ecological and historical debts. For decades, most developing countries have struggled with unsustainable debt burdens. Groups such as Jubilee South that have fought long and hard for debt relief are abhorred

3 Khor, Martin. *TWN Finance: Developing countries ask for new UNFCCC financial architecture.* 12 Jun, 2008, Third World Network http://www.twnside.org.sg/title2/climate/news/TWNbonnupdate5.doc

4 World Bank, 2008. *Illustrative Investment programs for the Clean Technology Fund.* http://siteresources.worldbank.org/INTCC/Resources/Illustrative_Investment_program_May_15_2008.pdf

that the World Bank will now start lending money to developing countries because of climate change.

Climate change should not reinforce donors' and creditors' influence in developing countries. The World Bank's lending portfolio has shrunk over the last years, as a lot of countries have achieved debt relief. The process towards debt relief has been arduous with tough structural adjustment and economic policy conditionality imposed by creditors such as the World Bank. By encouraging the World Bank to lend to countries for them to cope with climate change, the donors are again actively increasing the leverage of the World Bank on these countries' governments.

Why is this relevant to the debate on Climate Change? Is it not good if the WB can use its presence and influence in developing countries to prevent climate change? Again, we must come back to the issue of global solutions for global problems. Lending money to developing countries to address climate change reinforces the donor/recipient relations, as countries become creditors and debtors, rather than creating a common effort to combat a global problem to secure a global common good, the climate. Here lies yet another reason why the World Bank is not the right institution to channel financing to combat Climate Change.

More lending through the World Bank's mechanisms means more conditionality. Mainstreaming of funds to tackle climate change through already up and running channels of the World Bank such as IDA, will almost certainly strengthen these programs and thus reinforce the habitual World Bank conditionality. Although the World Bank has promised again and again to move away from economic policy conditionality such as privatisation and liberalisation, recent reports show that the Bank still has a long way to go.[5]

The World Bank's neoliberal economic policy conditionality leads to climate change. It is also ironic that by lending for Climate Change through the World Bank, donors provide funding with conditionality based on neoliberal economic principles that have had a multiplier effect on the problem of climate change in the first place. By this we mean the promotion of environmentally unsustainable growth based on an open and export oriented economic model with trade export zones, increased transportation, high input agriculture, energy intensive methods, and only acknowledging one model for growth as a legitimate alternative.

5 Eurodad, 2007. *Untying the knots – How the World Bank is failing to deliver real change on conditionality*. http://www.eurodad.org/aid/report.aspx?id=130&item=01804

Instead of promoting this unsustainable development path, the IFIs should start to value environment, the regard for future generations and the preservation of global common goods, rather than focusing purely on financial liquidity, inflation targets and growth figures. The environmental costs should be calculated into all production and models for growth, recognising that economic growth that occurs at the expense of the environment does not convert to poverty reduction that is sustainable.

Climate Change should not be counted as ODA to let donors off the hook in reaching aid targets. Oxfam estimates the need for financing for adaptation to Climate Change to be at least US$ 50 billion per year, whereas the UNFCCC has estimated US$ 28-67 billion will be needed per year until 2030, and the World Bank says US$ 10-40 billion per year.[6]

The countries that are members of the UNFCCC and have ratified the Kyoto protocol have committed to fulfil obligations to both reduce GHG emissions and fund mitigation and adaptation to climate change. Developed countries' obligation to fund adaptation in developing countries has nothing to do with aid, but with agreed obligations under the convention to which they are parties. In contrast to this, it seems that the funding pledged voluntarily to the World Bank CIFs will be reported as Official Development Assistance (ODA), which means that the donors consider it as aid.

For decades, donors have pledged to reach 0,7 % of GDP in aid, but only a few have reached this target and many are still failing to reach even lower target such as the EU collective aid commitment of 0,39 %. Reports constantly point out how they are lagging behind and how aid figures are inflated by counting debt relief, costs related to exchange students and receiving refugees in developed countries.[7] And now it seems that donors have found yet another way to inflate aid figures by offering funds for developing countries to cope with climate change.

Funding for climate change should be additional in practice as part of fulfilling obligations under the UNFCCC and has nothing to do with aid, and therefore it is highly questionable whether it should be counted as ODA.

6 *New funds for Climate Change and the Environment: Blueprint for the Future?* Presentation by Lies Craeynest WWF UK, DEG, June 17 2008, Oslo

7 Eurodad, 2008 *No time to waste: European governments behind schedule on aid quantity and quality* http://www.eurodad.org/whatsnew/reports.aspx?id=2302

The World Bank Group's definition of clean technology

"A clean technology is defined as one which reduces GHG emissions to the atmosphere and therefore, the carbon-equivalent intensity of economic development. Thus, the CTF would support the following: renewable energy; enhanced efficiency of energy usage; improved transport sector efficiency and modal shifts; and the improved efficiency of energy supply. With respect to the improved efficiency of energy supply, clean technology will have to meet one of the following two criteria:

a) There are highly cost effective opportunities for significant GHG emissions reductions and/or

b) There is potential for developing readiness for carbon capture and storage."[1]

1 CIF Q & A http://siteresources.worldbank.org/EXTCC/Resources/407863-1219339233881/DevelopmentandClimateChange.pdf

Financing climate change or financing fossil fuel-based development?

The Bank has a dubious environmental history. During the establishment of GEF as a pilot project in 1991, the World Bank promised to mainstream Climate concerns into its projects. It is therefore ironic that 17 years later, the World Bank is still raising funding for the same purpose of mainstreaming the same issue within its programs and lending.

In 2004, the Extractive Industries Review process recommended that the World Bank phase out of fossil funding for oil and coal by 2008, but even these recommendations have been ignored.[8] Looking at the World Bank's environmental history, critics have been asking questions about whether the World Bank is the right institution to take on the issue of climate change. It is feared that the funds channelled through the Bank will go to technology that is only slightly less unclean and not clean energy.

The World Bank's definition of "clean" technology is vague and misleading. Since this "definition" was presented in the consultation draft of the SFCCD, discussion and speculation has been running high among activists and others, asking what this actually implies. What type of projects and specifically which technologies will be able to retrieve financing from the CTF?

The answer is that the definition is too vague to give clear indications about whether unsafe energy sources such as nuclear power and climate change inductive oil-, gas- and coal-fired power will be financed through the CTF. In fact, the reference to carbon capture and storage in the definition suggests that fossil fuel-based development is central and the exact wording "potential for developing readiness for" even makes it clear that power plants can be constructed without carbon capture and storage in place and possibly be up and running for decades while waiting for the nascent, un-proven and expensive CCS technology to first be tested and later on made available at a price affordable for developing countries.

"It is feared that the funds channelled through the Bank will go to technology that is only slightly less unclean and not clean energy"

The World Bank should fund increased energy access that reaches the poor instead of expensive and unproven purely mitigating technologies such as CSS. As mentioned earlier, the World Bank's mandate is growth and poverty reduction in developing countries. Carbon Capture and Storage is not a technology that provides energy and consequently does not contribute to growth nor lead to poverty reduction. It is difficult to understand how "readiness for carbon capture and storage" could become what is considered to be the least common denominator of what is defined as "clean" energy" within the World Bank? This again shows how donor-led the designing of the CIFs are. To our knowledge, the emphasis on CCS in the CTF does not come as a demand from developing countries, but

8 Redman, Janet. 2008 *Dirty is the new clean: A critique of the World Bank's Strategic Framework for Development and Climate Change*. SEEN. See web page reference in footnote 15 page 9.

from donor countries that wish to explore and expand the possibilities of CCS.

The World Bank should not expand fossil fuel-based development financing in the name of climate change. The World Bank is currently expanding its financing of fossil fuels. Recent research shows that the World Bank Group increased financing for fossil fuel-based development[9] by 60% in the last year (FY07-FY08). If you look at the Bank's private sector lending arm, the International Finance Corporation (IFC), the increase is as high as 165%. In stark contrast, the funding for renewable energy only increased by 9% and when large hydropower projects are omitted from renewable energy, the financing for renewables actually decreased by as much as 42% the last year.[10] If you look specifically at coal, the most climate-unfriendly fossil fuel, the Bank's lending went up by 256%, according to Oil Change International.[11]

It is a paradox that the World Bank Group can be a major source of finance for fossil fuel-based development at the same time that it is striving to position itself as a bank for the environment. After looking at the carbon footprint of the Bank, WWF UK concluded that the World Bank is still far from being an environmental bank, and published a report which encourages shareholders in the Bank, to call on the Bank to "radically transform its energy portfolio and improve its coherence".[12]

"Recent research shows that the World Bank Group increased financing for fossil fuel-based development by 60% in the last year. [And] in stark contrast, the funding for renewable energy only increased by 9%"

The Bank should move away from the deterministic view that energy supply will depend on fossil fuels in the foreseeable future. When the World Bank is confronted with the question: Why not fund truly renewable energy technologies such as wind, solar and thermal power on a large scale, the Bank refers to the market and states that is must remain technologically and politically neutral, and cannot favour one technology over the other.[13] But is that not exactly what it is doing for the fossil fuels industry? By choosing to redefine what ordinary people all over the world intuitively consider 'clean' to include fossil fuels, the World Bank cannot be considered a neutral player on the market. This is yet another reason why the financing for climate change adaptation and mitigation should not be channelled through the World Bank.

The World Bank should not be allowed to continue "business as usual" while mainstreaming climate change. Considering the World Bank's previous and continuing financing of fossil fuel-based development activities, and looking at the proposal for the CTF, it is difficult to see how the World Bank will help developing countries transition to a low carbon development path.

Not only through the Bank's investments in fossil fuels, but also in support of and often in direct advocacy for an economic model for development that can not be regarded as economically sustainable, it seems very unlikely that mainstreaming climate change in WBG instruments will lead to substantial reforms for progress in mitigation or adaptation.

Critics have asked whether the Bank is speaking with a split tongue on this issue. If the intention is to increase developing countries' energy access by providing fossil fuel projects, than where is the need to create investment funds in the name of the climate? As we can read from the statistics presented above, the World Bank already manages a substantial portfolio of loans for energy development. Consequently, it is tempting to ask why the World Bank needs to duplicate what already exists while rebranding it in the name of climate? This has led a number of organisations to believe that the Bank is not taking the climate change challenge seriously but is in fact "greenwashing" itself rhetorically.

9 Fossil fuel figures include: the fossil fuel-based extractive industries of oil, gas, and coal mining; development policy lending, and fossil fuel-based power generation.

10 Bank Information Center: http://www.bicusa.org/proxy/Document.11300.aspx

11 Oil Change International: http://priceofoil.org/2008/10/08/world-bank-lending-for-coal-up-256/

12 Craynest et al. 2008. *The World Bank and its carbon footprint: Why the World Bank is still far from being an environment bank*. WWF UK http://www.wwf.org.uk/filelibrary/pdf/world_bank_report_-_final.pdf

13 Redman, Janet. 2008 et al. *Dirty is the new clean: A critique of the World Bank's Strategic Framework for Development and Climate Change*. SEEN (p.1) See web page reference in footnote 15 page 9.

4. Conclusion:

Bridging the gaps or widening the North-South divide?

While the UNFCCC is an international convention, the World Bank is a creditor. Developed countries have obligations to fulfil because of their historic emissions of greenhouse gases. In our view, it would be immoral for developed countries to lend money to developing countries for cooping with problems that the richest countries in the world created, and there is a danger that this would sideline the convention.

The UNFCCC is a forum where all countries that are parties to the convention have slowly worked out an increased understanding that climate change due to human activity must be stopped. It has not been an easy task to develop a common understanding on this issue where developed countries and developing countries have different interests and concerns. Nevertheless, under the UNFCCC consensus has been reached through tough negotiations on a legitimate international arena. It is crucial that developed countries respect the UNFCCC as the appropriate arena where it is decided democratically how the global community must handle climate change, and that the World Bank's Climate Investment Funds are not seen as a way that rich countries can "donate" their way out of obligations by offering loans to developing countries.

"It is crucial [...]that the World Bank's Climate Investment Funds are not seen as a way that rich countries can "donate" their way out of obligations by offering loans to developing countries. "

Experience with aid targets shows that developed countries are not as eager to follow up binding commitments as they are of announcing what is portrayed as charitable contributions to poverty reduction or humanitarian aid. Reducing an issue of historical justice to a question of donors being charitable to recipients weakens the process of getting everybody on board towards a global solution. Moving the part of tackling climate change that donors are willingly volunteering for into the World Bank leaves the hardest part to the UNFCCC, and could possibly side-line the convention. This would reduce the question of global climate justice to yet another subject for donor-recipient "co-operation".

Furthermore, there is a need to discuss how the World Bank can play a progressive role in the future when it comes to climate change. For the Bank to be useful to developing countries having to deal with climate change, it must go through a governance reform that would increase its legitimacy to work for developing countries. It must also redirect its own funding to financing true clean energy, meaning renewables.

Recommendations

The current negotiations for a post-2012 agreement on how the global community will work together to face the challenge of climate change will hopefully culminate in a new agreement in Copenhagen in December 2009.

In the meantime, we should make sure that intermediate multilateral funding for climate change mitigation and adaptation is provided through the UNFCCC channels, such as the Kyoto protocol Adaptation fund[1], and not through the World Bank. G-77 & China have come up with a proposal[2] to set up a Financial Mechanism for Meeting Financial Commitments under the Convention that will also handle mitigation, deployment and diffusion of low-carbon technologies, research and development for technologies. This initiative comes from within developing countries, and when it becomes operational, developed countries should consider channelling funds through this fund rather than through the World Bank's Climate Investment Funds.

Phase-out from fossils and provide energy for the poorest

Instead of further increasing financing for fossil fuel-based development, the World Bank could choose to phase-out fossil fuels funding. The WBG could prove its commitment to its main mandate of "growth and poverty reduction" by providing financing on a large scale for truly environmentally friendly alternatives. Large-scale energy schemes often only reach people who are connected to grid systems, and in many cases the energy retrieved from these projects mainly provide energy for industry, often foreign-owned, or provide energy that go to exports. If the Bank really wants to give energy access to the poor, it would be more effective in doing so by funding renewable energy off-grid.

1 http://unfccc.int/cooperation_and_support/financial_mechanism/adaptation_fund/items/3659.php

2 http://unfccc.int/files/kyoto_protocol/application/pdf/g77_china_financing_1.pdf

Reasons not to support the World Bank taking the lead in climate change financing

Climate change is a global problem that needs global cooperation on a level that has never been seen before. Financing must be agreed on in democratic international forums such as the UNFCCC and institutions or mechanisms channelling financing and implementing mitigation and adaptation must be under democratic control to ensure a global response to Climate Change.

- World Bank governance structure

- World Bank's asymmetric leverage on developing and developed countries

- Donor-driven agenda

- Lack of consultation of affected parties

Developing countries are not responsible for the climate crisis and should not be dependent on charity to face its consequences.

- Additionality

- Loans not grants

The World Bank and the regional development banks, do not have good environmental track records and have not signalled a radical shift in direction towards genuinely clean energy such as renewables to focus on poverty reduction, but continues to pursue projects that contribute to expansion of fossil fuels use and large-scale mega water power projects.

- Lack of coherence between the model for growth advocated and the commitment to mitigating climate change

Financing adaptation to climate change in Malawi

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Executive summary

As with other environmental issues, funding climate change activities in Malawi poses some challenges. First, while the impacts of climate change are already manifesting themselves through erosion of livelihoods, there is still the problem of ranking. The country has prioritized agriculture, infrastructure, water development and rural development in the Malawi Growth and Development Strategy (MGDS) in order to improve livelihoods quickly. Yet it is hardly common sense among policy makers that any gains in these sectors will be wiped out in no time if droughts or floods hit the country. Malawi therefore must streamline climate change funding within its economic instruments including the MGDS and the national budget. Some efforts on the latter have been undertaken but the climate proofing the national budget is not yet a priority.

Second, there are too many small scale activities supporting climate change adaptation with little or no meaningful impact on the ground. The attempts by government to establish basket funding in order to improve efficient utilization of resources may partly address this problem. Nevertheless, it may pose challenges where specific donors are not keen to support a government led funding framework for various reasons.

Thirdly, at international level various financial institutions have their own funding framework which has little or no coordination with the United Nations Framework Convention on Climate Change (UNFCCC) mechanism. These may also tend to undermine the UNFCCC which has been multilaterally debated and has the requisite standards developed from existing international climate change instruments such as decisions of the Conferences of Parties. On the other hand, the Global Environment Facility (GEF) funding framework has always worked to the disadvantage of developing countries. It is usually well resourced countries that have the capacity to access GEF funding, hence further increasing the vulnerability of developing countries. It is necessary that more flexible funding frameworks be provided for developing countries with limited capacity for project development.

Finally, the absence of multilaterally agreed emissions caps means that the targets set by the UNFCCC can hardly be achieved; hence the predictions from the Intergovernmental Panel on Climate Change (IPCC) that vulnerability will increase should be factored into climate change adaptation funding. The most sensible approach in this respect should have been the immediate implementation of the polluter pays principle. This would improve amount of funds available to adaptation projects. The well known polluters in America and China should

contribute much more to adaptation funding than they currently do. Further, and in the same vein, adaptation funding from financial institutions such as the World Bank should be provided as grants and not loans; the latter will increase third world debts It is inequitable for the major shareholders of these financial institutions who have largely contributed to the current climate crisis to profit from their own pollution. However, as the credit crunch squeezes western donor nations adaptation funding will be a major victim of cutback; developing countries would do well to climate proof national budgets. Donor funds when available should provide additional funds to scale up adaptation already national funded. This would be more sustainable in the long term than a wholly donor dependent strategy.

Introduction

Malawi has a predominantly agricultural economy, with most of its over 13 million population depending on subsistence farming. Agriculture contributes 38% to GDP (1999), services 43% and industry 19% (with manufacturing contributing 14%). Gross Domestic Product (GDP) per capita is around US$140.00, which makes Malawi among the poorest countries in the world.

The country has experienced a number of adverse climatic hazards over the last decades. The most serious have been dry spells, seasonal droughts, intense rainfall, riverine and flush floods. Some of these, especially droughts and floods, have increased in frequency, intensity and magnitude over the last two decades. These extreme climatic events cause loss of life, damage property and infrastructure, affect food security and hinder efforts in poverty eradication. The Lower Shire Valley is the most vulnerable (EAD, 2002).

Major sectors currently being impacted upon by climate change in Malawi are agriculture and food security, natural resources management especially sustainability of biodiversity, water resources and energy demands. As climate change impacts are becoming more apparent, adaptation is now an increasingly important area of work. In order to increase levels of adaptation there is need for financing.

Against this background, this briefing paper analyzes how financing for climate change adaptation is currently being organized and managed, with specific reference to Malawi. The paper reviews various mechanisms for financing adaptation to climate change in Malawi. The paper has been informed by desk review of existing documentation and direct consultations with key stakeholders involved in climate change issues in Malawi.

International perspectives of climate change adaptation financing

The main international instrument on climate change is the United Nations Framework Convention on Climate Change (UNFCCC). The ultimate goal of the UNFCCC is to achieve, in accordance with the relevant provisions of the Convention, stable greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.

Adaptation to climate change featured very prominently on the agenda of the United Nations Climate Change Conference which was held in Bali in December 2007 and also during the meeting of the subsidiary bodies of the UNFCCC in Bonn in June 2008. In particular the needs of the countries most vulnerable to the adverse impacts of climate change were highlighted in direct response to key UNFCCC provisions such as the preamble and Articles 3 and 4 which place significant emphasis on increasing support to developing countries through funding for adaptation as well as facilitating transfer of technology from the developed country parties to developing countries.

According to the analysis done by Germanwatch, numerous estimates on the costs of adaptation to climate change in developing countries undertaken by well-known organizations have shown that the scale of costs is much higher than the adaptation financing provided so far through means such as funds under the UNFCCC, the Kyoto Protocol or Official Development Assistance (ODA).

Recently there have been two major proposals on financing for adaptation. The first one is the World Bank mechanism. The World Bank has proposed the creation of three specific climate investment funds: a) the Clean Technology Fund; b) the Forest Investment Fund; and c) the Adaptation/Climate Resilience Pilot Fund. These will be created along with a Strategic Climate Fund to deliver donor financing for climate change mitigation and adaptation projects (Phiri, 2008).

The objective of the World Bank strategy is to provide a road map for the Bank to address climate variability and change in sub-Saharan Africa, with the aim of helping its clients in the region achieve climate resilient growth. The strategy is premised along four main pillars. These are: a) making adaptation a core component of development; b) focussing on knowledge and capacity development; c) benefiting from mitigation opportunities; and d) scaling-up financing.

The African Development Bank (AfDB) has also initiated the development of a Climate Risk Management and

Project profiles for urgent and immediate adaptation

(a) Improving community resilience to climate change through the development of sustainable rural livelihoods;

(b) Restoring forest in Upper, Middle and Lower Shire Valleys catchments to reduce siltation and the associated water flow problems;

(c) Improving agricultural production under erratic rains and changing climatic conditions;

(d) Improving Malawi's preparedness to cope with droughts and floods; and

(e) Improving climate monitoring to enhance Malawi's early warning capability and decision making and sustainable utilization of Lake Malawi and lakeshore areas resources.

Adaptation Strategy. The objective of the strategy is to guide the bank's interventional efforts to maximize development outcomes in Africa in the face of changing climate and it is founded on two pillars: a) climate risk management; and b) support for climate risk management by regional member countries. The main instrument for the implementation of the AfDB strategy will be the African Development Fund (ADF) and other Bank's funding windows which include grants, loans, lines of credit, and guarantees, and a multi-donor trust fund called the Clean Energy and Climate Adaptation Facility for Africa (CECAFA).

The most important consequence of the proliferation of adaptation funding is that countries that are bound by UNFCCC and Kyoto can pick and choose which framework to invest in; thereby undermining the UNFCCC. This coupled with the fractious nature of the UNFCCC decision making will attract those from donor countries who are unhappy with UNFCCC to forum shop their climate investments and yet claim to be providing the funding. It is necessary for developing countries to resist this forum shopping, especially for obligations arising from pollution perpetrated by developed countries. In particular, climate investment should not be the means for increasing developing country indebtedness.

Climate change adaptation in Malawi

Malawi signed and ratified the United Nations Framework Convention on Climate Change (UNFCCC) in June 1992 and April 1994, respectively. Malawi submitted its First National Communication to the UNFCCC in November 2003. Consistent with the UNFCCC and its First National Communication, Malawi developed its National Adaptation Programme of Action (NAPA) in 2006. The NAPA seeks to increase the adaptive capacities of vulnerable communities to adverse effects of climate change (Kamperewera, 2007). According to EAD (2006), through a consultative process, thirty one adaptation options were identified to address the urgent adaptation needs, with emphasis on vulnerable rural communities in Malawi. The list was further analyzed and ranked using criteria analysis, resulting in a shorter list of fifteen priority adaptation options. These were further ranked and prioritized for urgency, and categorized as high, medium or low. The urgent activities which were rated high were combined into project clusters for the purposes of developing a shortlist of five project profiles. The list of the proposed project profiles is provided in the box to the left.

The list in the box to the left is for the proposed projects that Malawi needs to implement urgently and immediately to enable vulnerable rural communities and groups in target areas to adapt to the adverse impacts of climate change. Estimates are that Malawi will require US$22.43 million to implement these priority projects. Malawi submitted its NAPA in March 2006 but to date no funds have been released. Support which has been provided only relates to project preparatory activities.

The Environmental Affairs Department (EAD) in the Ministry of Lands and Natural Resources coordinates environmental programmes in Malawi. EAD was responsible for coordinating the production of the NAPA. It is also the UNFCCC Focal Point and is expected to manage all the projects under the NAPA.

As a result of increased frequency in occurrence of climate change related events, such as droughts and floods, Malawi has seen significant growth in climate change adaptation programmes and projects, most of them implemented by externally funded NGOs. The development of NGO interest in climate change adaptation seems closely correlated to the growth of donor interest in this area. Malawi has almost a dozen non governmental organizations working in climate change adaptation related projects. The major ones and their focal areas are listed to the right.

There are also a number of institutions involved in activities indirectly contributing to climate change adaptation through programmes and projects to improve livelihoods options and capacity building at local community level. Some of the notable ones are listed to the bottom right.

Although there has been a significant increase in NGO climate change adaptation activities over the years, they do not necessarily implement their activities within the framework of the overarching national strategy which is the NAPA.

Financing for climate change adaptation

In Malawi there are a number of funding sources which are financing numerous types of adaptation activities. The main ones are: GEF, which is supporting the NAPA; various international non-governmental organizations who are financing locally based organizations working with vulnerable communities and public sector financing through national budgetary allocations. Apart from financial resources to support the implementation of projects under the NAPA, it is difficult to establish the overall sums of funds invested in climate change adaptation by NGOs to date.

The key donors in climate change adaptation are Department for International Development (DFID), Tear Fund, European Commission and church based international NGOs. DFID is currently supporting the disaster risk reduction programmes of Action Aid International Malawi. Church based international NGOs are also providing significant resources to their local partners.

It must be noted however that these are individual financial commitments by different development partners. Much as they are indirectly contributing to the intentions of the UNFCCC Adaptation Fund, they have no direct linkage with the fund. Perhaps this explains why they are uncoordinated and often supporting small scale projects that barely generate any meaningful impact.

Financing for adaptation is currently provided by external donors and therefore require results within the life of the projects – typically not exceeding five years. The consequence is a dilemma between long term financing which climate change adaptation requires and the expectation of quick results.

To date most of the financial support has been aimed at investing in crop production related activities. It has tended to ignore certain activities which could also meaningfully contribute to increasing community

The major non govermental organizations in Malawi and their focal areas

Centre for Environmental Policy and Advocacy – climate change policy research and advocacy;

Action Aid International Malawi – disaster risk reduction;

Coordination Union for Rehabilitation of the Environment – research on impact of climate change on health and urban areas;

Churches Action in Relief and Development – disaster response and rehabilitation;

Christian Aid – disaster risk reduction;

Dan Church Aid – disaster risk reduction;

Norwegian Church Aid – disaster risk reduction;

Red Cross Society – disaster response and risk reduction; and

Evangelical Association of Malawi – disaster risk reduction.

Some of the notable institutions involved in activities indirectly contributing to climate change adaptation

Rural Foundation for Afforestation;

FAIR;

Malawi Environmental Endowment Trust;

Adventist Development and Relief Agency;

World Vision International;

Farmers Union of Malawi; and

Evangelical Lutheran Development Service.

– level livelihoods resilience. These include efficiently supporting appropriate arrangements for implementation, capacity building both at community and national levels, coordination, reviewing the existing sectoral policies in relation to climate change adaptation and awareness of climate change and its impacts.

Government funding framework for climate change

As a party to the UNFCCC Malawi is entitled to resources to fund climate change activities including adaptation from the GEF which administers the UNFCCC funds. Under the resource allocation framework Malawi is grouped together with neighbouring countries such as Zambia, Tanzania and Mozambique under which if the country manages to submit a fundable proposal it is entitled to resources totaling US$1 million. Malawi has finalized the required procedures so that if its proposal is accepted it will be in line to access these funds; in default of a fundable proposal however other members in the group who succeed will have access. This poses a major challenge for developing countries such as Malawi who have limited capacity in GEF proposal writing. For example, the Malawi focal point for UNFCCC, the EAD, has a professional staff compliment of less than 26 based at headquarters and in various districts across the country. The insistence on strict GEF guidelines for proposal development denies these countries of the requisite funds to support adaptation. Further the sum of US$1 million available is far much less than is required under the prioritized NAPA as earlier pointed out.

> ***"The insistence on strict GEF guidelines for proposal development denies these countries of the requisite funds to support adaptation."***

Further faced with a multiplicity of climate change activities supported by various donors through civil society and government, there are efforts to improve coordination to ensure effective utilization of the resources. Malawi is currently working on a country paper for climate change projects intended to create basket funding to be controlled by government. The aim is to create a framework funding with various windows led by different stakeholders to incentivize donor interest. Whether the 'control' by government will indeed develop and increase donor interest is yet to be seen. The key concern would be where government record in handling public funds is in doubt the climate basket funding would also be affected thereby putting in jeopardy funding through other credible stakeholders.

Finally Malawi has revised its overarching instrument for economic management, the MGDS. The MGDS was established before climate change issues took centre stage. A new chapter to make the overall economic management climate proof has therefore been added. This should help elevate climate change funding including that for adaptation so that it receives adequate national budgetary allocations.

Challenges limiting broad climate change adaptation in Malawi

There are weaknesses related to the development of national policies and strategies. For instance, there is no overall policy on climate change management, hence each institution responds based on sectoral policies that have little or no linkage to each other. In addition, the NAPA was developed in isolation, with no direct budgetary support framework and therefore remains largely idle;

Absence of specific policy tools to climate change adaptation has affected implementation as the national budgetary allocations are based on approved policies; and

About a dozen NGOs and a few government departments are implementing climate change adaptation activities with support from donors. However, there is little coordination of activities and approaches among them and between them and EAD. This constrains sharing of information, coordination of the use of resources and exchange of experiences and lessons.

Recommendations

Lobby for adaptation strategies and practices to be funded by the national budgets and ensure that disaster risk reduction incorporates adaptation measures. This could ensure some level of implementation of the priority areas identified in the NAPA;

Demonstrate the linkages between climate change adaptation to sustainable economic development. Enhancement of adaptive capacity is fundamental to sustainable economic growth. For instance improved access to resources, reduction of poverty and improved infrastructure among others are all similar requirements as promotion of sustainable economic development;

Climate change adaptation needs long term financing commitments, thus the need to incorporate climate change adaptation in long-term planning and development programmes;

Enhancement of adaptive capacity requires local empowerment in decision making and incorporation of climate change adaptation within broader sustainable development strategies;

The newly established civil society network on climate change provides an excellent opportunity for synergy of efforts and mechanism to engage Government of Malawi through EAD on adaptation issues. There is need to strengthen the interface between the network and EAD.

Civil society needs to lobby for increased funding for adaptation as envisaged under the UNFCCC and should stress the equity concerns that led to the emphasis on developed countries to support adaptation funding in developing countries. Developed countries are primarily responsible for global warming and must fund the costs of building adaptive capacity and resilience on the part of developing countries whose already vulnerable economies are exposed to increasing stress from impacts of climate change. The UNFCCC places an obligation on developed country parties; it is neither a favour nor charity.

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