

European Climate Change Programme

**Working Group II
Impacts and Adaptation**

**Development Cooperation
Sectoral Report**



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The EU's Adaptation Programme

Adaptation is a new policy area for the European climate change policy. The Impacts and Adaptation Workgroup has been set up as part of European Climate Change Programme (ECCP II). The main objective of the workgroup is to explore options to improve Europe's resilience to Climate Change Impacts, to encourage the integration of climate change adaptation into other policy areas at the European, national and regional level and to define the role of EU-wide policies complementing action by Member States.

The aim of this initial programme of work is to identify good practice in the development of adaptation policy and foster learning from different sectoral experiences and explore a possible EU role in adaptation policies.

The Commission has led a series of 10 sectoral meetings looking at adaptation issues for different sectors. One of these meetings looked at the impacts on development cooperation in particular. This report summarises the state of play in development cooperation in relation to adaptation to climate change on the basis of the information gathered at the stakeholder meeting on June 12, 2006.

Key impacts of climate change on development cooperation

Developing countries are more vulnerable to climate change impacts as they depend more on weather-sensitive natural resources, such as agriculture, water, and fisheries, than developed countries. Their capacity to adapt is also lower, as it is determined by the amount of financial resources skills, technology, etc.

Climate change can threaten efforts of development cooperation by impacting on the development projects funded by the EU. Also, development projects can increase the vulnerability of local communities to weather related events, for example when relatively climate sensitive agricultural practices are introduced. In addition, developing countries may also be faced with issues requiring more immediate attention than climate change.

Development cooperation may be used as a vehicle for shaping adaptation in developing countries, as it is a system that is already in place in many sectors in many countries.

Climate risk reduction is the entry point for cooperation between humanitarian, development and environmental actors in climate change adaptation. Therefore it would be useful to talk about "climate risk reduction" instead of "climate change adaptation".

Existing/relevant policies at the EU level

In the current EU development policy¹, as declared on 20th December 2005, climate change has become a priority under the needs for capacity building on environment and sustainable management of natural resources.

In 2003, the EC published a communication on Climate Change in the Context of Development Cooperation² (COM(2003) 85 final). In response to this communication,

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http://ec.europa.eu/comm/development/body/development_policy_statement/docs/edp_statement_oj_24_02_2006_en.pdf

on 22nd November 2004, the General Affairs and External Relations Council adopted an Action Plan on Climate Change and Development (2004-2008)³.

This Action Plan lists activities for:

- dialogue and cooperation with partner countries,
- dialogue and cooperation with the community and with other donors,
- supporting developing countries integrating climate risk management into planning processes,
- helping Partner countries develop research on impacts vulnerability and adaptation,
- support developing countries to integrate the pursuit of low greenhouse gas development paths into the planning process,
- supporting Partner countries to benefit from the diffusion of environmentally sound technologies,
- encouraging the private sector to invest in mitigation and low greenhouse gas development,
- raising public awareness in Partner countries,
- development of human and institutional capacities in partner countries for the implementation of the UNFCCC and the Kyoto Protocol,
- assessing the implementation of the action plan.

The G8 Gleneagles Plan of Action on climate change⁴ of 2005 aims at “managing the impact of climate change”. In particular, support for monitoring and data interpretation, and risk management is addressed.

The (Global Climate Observing System) GCOS Cliv-Dev initiative focuses on improving African capacity to use climate information in planning decisions and building resilience of Africa by supporting health and hunger Millennium Development Goals.

The OECD Declaration on Integrating Climate Change Adaptation into Development Co-operation⁵ declared that the government of OECD member countries “... will work to better integrate climate change adaptation in development planning and assistance”. In particular, they will work to:

- identify and use appropriate entry points for integrating adaptation into development co-operation activities,
- assist developing country partners to reduce their vulnerability,
- identify and prioritise adaptation responses,
- develop and apply tools to address climate risks in development activities and to prioritise responses (including screening tools to assess exposures; tools to increase resilience, and tools relevant to local planning needs),
- assess progress on integration of adaptation in development activities and efforts to strengthen adaptive capacities,
- encourage regional initiatives that include common actions on impacts and vulnerability assessment and adaptation options, in order to promote trans-boundary initiatives, encourage South-South co-operation and avoid duplicated efforts.

² http://europa.eu.int/eur-lex/en/com/cnc/2003/com2003_0085en01.pdf

³ <http://register.consilium.eu.int/pdf/en/04/st15/st15164.en04.pdf>

⁴ http://www.fco.gov.uk/Files/kfile/PostG8_Glneagles_CCChangePlanofAction.pdf

⁵ <http://www.oecd.org/dataoecd/44/29/36426943.pdf>

Current tools for shaping adaptation in development cooperation are:

- Country Environment Profiles (CEPs),
- Strategic Environmental Assessments (SEAs): in identifying mal-adaptation, for instance,
- climate change programming guidelines,
- environmental helpdesk,
- donor coordination is currently shaped through the Vulnerability and Adaptation Resource Group (VARG),
- training on adaptation,
- supporting adaptation studies.

Funding of adaptation under the UNFCCC is planned to take place through the GEF trust fund, the Least Developed Countries Fund, and the Special Climate Change Fund. Funding under the Kyoto Protocol goes through the Adaptation Fund.

The Adaptation Fund revenues (2% of CERs issued) could lie between 125 and 750 million Euro by the end of 2012 (an average of 325 million Euro), depending on volume and price.

Examples of existing initiatives at member state level

Member State governments NGOs take up many research and pilot initiatives, often at the sub-national or local level in developing countries.

Some recent activities have focused on the screening for climate risks development projects. Examples include:

- screening of donor portfolio for climate risks using the ORCHID tool by DFID and Institute of Development Studies aiming at awareness raising,
- ADAPT tool of World Bank, aimed at the assessment of weather and climate related risks during project development,
- review of policies and strategies by NORAD,
- programme and project review by World Bank, GTZ, and SDC,
- country case studies by OECD.

A number of tools, such as the Country Environment Profiles (CEPs) and Strategic Environmental Assessments (SEAs) can be used to reduce risks of development cooperation efforts, or identify mal-adaptation. Perhaps country disaster risk profiles can be developed from SEAs.

Gaps identified

Reducing weather and climate risk

An important question that remains is whether developing countries will be able to adapt if the underlying sources of vulnerability are not addressed. The traditional adaptation paradigm (adaptation as a technology that needs to be implemented) may only be partially effective because it does not address non-technology factors. To include a broader approach, development agencies would have to provide expertise and funding. Therefore mainstreaming is needed.

Climate change is still perceived as an environmental issue, and usually dealt with by the environment ministries, which is most often not the strongest in governments.

Climate change is also often seen as too political by development agencies, that it might reduce other priorities, and there is a fear that development funds will be used for climate change purposes.

Risk information is currently not well known for many developing countries. Basic weather and climate data, as well as monitoring, modelling and forecasting tools are often not available.

Cost figures can be very powerful incentive for action on risk reduction or adaptation. Therefore, cost-benefit analyses of climate risk reduction are needed. Ministries of finance and planners also need such costs and benefit estimates, especially for investment decisions. However, at this point in time, it is unknown how much more performance can be improved by re-prioritising development cooperation projects. The additional costs of climate-proofing development cooperation are also unknown.

Estimates of the costs and benefits are difficult to develop because of methodological issues and lack of data. It is almost impossible to estimate avoided losses (that do not occur). Assumptions are needed for future impacts, but it is possible to come up with estimates.

International climate negotiations and funding

An important question is whether and how adaptation should or will be part of the post-2012 UNFCCC process. In debates, the problem is very often wrongly reduced to a one-dimensional question: where should funding for adaptation come from? At the same time there are signals that developing countries have difficulties to allocate and spend the funds they currently have available.

The most effective way of implementing adaptation in development cooperation is not by increasing the size and number of climate adaptation activities, but rather by supporting mainstreaming of climate risk reduction into all existing and new development cooperation efforts. The important challenge is therefore to involve a wider group of organisations in improving adaptation efforts in developing cooperation. Important insights on adaptation are currently mostly shared among the "climate" community, and not among the donor community, to whom it really matters. The aim should be to ensure that development (investments) decisions on all levels (international, national, regional and locally) are decided with full integration of climate risk management and adaptation needs. This may be by far more important than addressing the demand side for adaptation.

The current level of adaptation in the development cooperation is not adequate, and the need for adaptation will even increase. This also implies that climate change requires additional funds above the 0.7% of Member State GDP for development cooperation.

One important question is how adaptation (and the related funding) will be structured under the UNFCCC. Current problems remaining to be solved regarding the Adaptation Fund are mainly related to the purpose of the funds, the institution that will host the funds, and operating principles.

Opportunities for the EU level

Information and knowledge

Experiences in disaster risk management and natural resource conservation at the local and sub-national level remain largely hidden, or may have been reported in the grey literature. There is a need to share experiences and good practices.

Tools to reduce risks of development cooperation efforts and identify mal-adaptation have been developed by a number of donor organisation and financial institutions. Such tools can help countries to identify risks and adaptation opportunities, and support experience sharing and should be used more widely.

Capacity building is needed for developing countries to make clear which adaptation they need.

There is a need in developing countries for better assessments of weather and climate risks are needed and impact assessments as they are behind in data. Risk information is not well known.

A number of tools, such as the Country Environment Profiles (CEPs) and Strategic Environmental Assessments (SEAs) can be used to reduce risks, or identify mal-adaptation. Perhaps country disaster risk profiles can be developed from SEAs.

Capacity building on adaptation for developing countries and development organisations is needed.

Policy planning process

In general, there is a need to strengthen cooperation and dialogue among policy sectors, administrative services, ministries, development banks, civil society, development agencies and NGOs, parties at the local level, and science, especially among those parties that are not yet involved. It would also be helpful to have an overview of what activities are carried out at MS level and the EU level to integrate adaptation in development cooperation including what is available for funding adaptation within the EU (reporting and monitoring).

Economic development and in particular diversification is key in helping to reduce underlying vulnerabilities to weather and climate risks. Therefore, climate change adaptation should be seen as a cross-sectoral issue, and as a part of development, social and safety issues. A longer-term planning for climate risks is required in many sectors. The further implementation of the Action Plan on Climate Change and Development (2004-2008) needs to integrate climate change adaptation as a cross-sectoral issue.

In order to let sectors implement adaptation, and thereby support mainstreaming, facilitation by the UNFCCC will continue to be important. The National Adaptation Programmes of Action (NAPA) process is a first step in achieving this. Synergies between mitigation and adaptation may be helpful. Perhaps support for adaptation can persuade countries to get more involved in mitigation.

Insurance could become an important tool for adaptation in international development cooperation. Examples of pilots of insurance application in disaster risk reduction include weather index based insurance in Malawi (World Food Programme and World Bank project), the Turkish Catastrophe Insurance Pool (TCIP, supported by World Bank), and the FONDEN catastrophe fund in Mexico. The donor community could support the development of such products, for instance by providing technical assistance, subsidising premiums, and providing reinsurance.

Insurance can potentially also help to reduce risks by providing incentives such as high deductibles, but a disadvantage is that investigation is needed in order to assess whether risk reduction measures have been taken.

Economic stimuli

The current level linking funding for projects to obligatory addressing adaptation and climate risk management is not adequate, and the need for adaptation will even increase.

Funding specifically targeted at adaptation under the UNFCCC should be supported by member states. Investments in adaptation also require increased levels of development assistance. Member States should therefore live up to contributions of 0.7% of their GDP.

There is a need to assess costs and benefits of adaptation and risk reduction efforts rather than cost estimates of projected or past impacts. Returns from risk reduction can be in the order of 50 times the costs, but are highly variable between different risks and risk reduction measures and dependant on local conditions.

Disaster and risk management

More effective mainstreaming is required in development cooperation organisations. To achieve this, cross-sectoral integrated policymaking related to weather related disasters and climate risks is needed. Standards on integration of climate adaptation in to development cooperation projects may be considered and agreed. See also the discussion under 'Policy planning process' above.

Actions relevant at national/regional/local level

The most effective way of implementing adaptation in development cooperation should be encouraged. This would not necessarily mean increasing the size and number of climate adaptation activities, but rather by supporting mainstreaming of climate risk reduction into existing and new development cooperation efforts. In developing countries mainstreaming at the national level would involve addressing climate vulnerabilities in all sectors (see also the recommendations under 'Planning process and policy').

Mainstreaming is also necessary because of context specificity of many of the expected impacts in different sectors in developing countries, which prohibits stand-alone adaptation efforts.

National adaptation requirements could be set for development cooperation projects. Information exchange between projects on best practice minimising risks could be encouraged. Similarly, tools for awareness raising, exchange of information and best practices that are mentioned above should be promoted at the national, regional and local level.