ISSN 1831-0834

EUROPEAN
COURT OF AUDITORS

Special Report No 17 // 2013

EU CLIMATE FINANCE IN THE CONTEXT OF EXTERNAL AID

EN

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(pursuant to Article 287(4), second subparagraph, TFEU)

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Special Report No 17 // 2013

Cataloguing data can be found at the end of this publication.
Luxembourg: Publications Office of the European Union, 2014

ISBN 978-92-9241-589-1
doi:10.2865/17954

Printed in Luxembourg

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ABBREVIATIONS AND ACRONYMS

ACP: African, Caribbean and Pacific states

CCW: Climate Change Window

CTF: Clean Technology Fund

COP: Conference of Parties

DCI: Development Cooperation Instrument

DIPECHO: Disaster Preparedness Programme of ECHO

DRR: Disaster Risk Reduction

ECHO: Directorate-General for Humanitarian Aid and Civil Protection

EDF: European Development Fund

EEAS: European External Action Service

EFC: Economic and Financial Committee

ENPI: European Neighbourhood and Partnership Instrument

ENRTP: Thematic Programme for Environment and Sustainable Management of Natural Resources including Energy

EPC: Economic Policy Committee

ETS: Emissions Trading System

FCPF: Forest Carbon Partnership Facility

FLEGT: Forest Law Enforcement, Governance and Trade Programme

FSF: Fast Start Finance

FTI: Fast Track Initiative

GCCA: Global Climate Change Alliance

GCF: Green Climate Fund

Geeref: Global Energy Efficiency and Renewable Energy Fund

GEF: Global Environment Facility

GFDRR: Global Facility for Disaster Reduction and Recovery

IMF: International Monetary Fund

LDC: Least developed country

MMR: Mechanism for monitoring and reporting greenhouse gas emissions

MFF: Multiannual Finance Framework

MRV: Measurement, reporting and verification

NGO: Non-governmental organisations

ODA: Official development assistance

OECD: Organisation for Economic Cooperation and Development

REDD: Reducing Emissions from Deforestation and forest Degradation

SIDS: Small island developing states

UNDP: United Nations Development Programme

UNEP: United Nations Environment Programme

UNFCCC: United Nations Framework Convention on Climate Change

USD: United States dollar

EXECUTIVE SUMMARY

I.
Climate change is one of the greatest environmental, social and economic threats facing the planet. Millions of people in developing countries could be pushed back into poverty by climate change which poses a fundamental threat to economic development and the achievement of the Millennium Development Goals. Developed countries have pledged to increase their support to assist developing countries in their efforts to adapt to and mitigate the impact of climate change. Collectively, the EU and its Member States are the largest contributor of climate finance to developing countries.

II.
The Court audited the provision of climate finance for developing countries by the EU. It examined whether the Commission has managed climate related spending from the EU budget and the European Development Fund (EDF) well. The Court also examined whether the Commission has taken appropriate steps to promote coordination with EU Member States in respect of climate finance for developing countries, and whether such coordination has been adequate.

III.
As regards its management of climate-related support funded from the EU budget and the EDF, the Commission has performed well. In line with policy commitments, the Commission steadily increased climate-related spending funded from the EU budget and EDF. It focused on appropriate priorities and tailored its programmes to the specific circumstances of individual partner countries.

EXECUTIVE SUMMARY

IV.
Coordination between the Commission and Member States in respect of climate finance for developing countries is inadequate. The Commission has not exercised sufficient leadership in some areas and the Member States have not been sufficiently responsive to some of its initiatives. Significant further efforts are needed to ensure complementarity between the EU's and Member States' country programmes. The Commission and Member States have not agreed how to meet the commitment to scale up climate finance by 2020. A robust monitoring, reporting and verification system providing comprehensive and reliable information on the Commission's and Member States' climate-related spending to monitor compliance with commitments made has not yet been established, and the extent to which the FSF pledge has been fulfilled is unclear. No attempt has been made to reduce the proliferation of climate funds. Significant further coordination between the Commission and Member States is needed to prevent and combat corruption.

V.
The Court concludes that the Commission has managed EU climate-related spending from the EU budget and the EDF well. However, for the EU to maximise its international impact, coordination between the Commission and Member States in climate finance for developing countries should be considerably improved.

VI.
The Court recommends that:

(a) The Commission should:

— propose a roadmap for the scaling-up of climate finance towards the Copenhagen Accord 2020 target;

— have an independent evaluation made of the Global Climate Change Alliance;

(b) the Commission and the EEAS should:

— report on the extent to which the target of spending 20 % of the EU budget and the EDF over 2014 to 2020 on climate-related action is implemented in development aid;

(c) the Commission and Member States should:

— in the framework of the Monitoring Mechanism Regulation, agree common standards for monitoring, reporting and verification of climate finance for developing countries;

— intensify their cooperation to implement the EU Code of Conduct on Division of Labour in the field of climate finance.

INTRODUCTION

CLIMATE CHANGE CHALLENGES

1. It is widely acknowledged that human activity is having an increasingly adverse influence on the Earth's climate through the burning of fossil fuels, deforestation, and livestock farming. Average global temperatures are rising, and extreme weather events such as hurricanes, floods and droughts are becoming increasingly common. Climate change directly impacts human health, lives and livelihoods and indirectly impacts food security and the viability of economies based on natural resources.

2. The United Nations Framework Convention on Climate Change (UNFCCC) notes that climate change 'has the potential to undermine sustainable development, increase poverty and delay or prevent the realisation of the Millennium Development Goals[1]'. Many developing countries are vulnerable to climate change: they often lack sufficient resources to cope with the accelerating threats to water, energy, soil, forests, wetlands, wildlife and fish stocks, on which they are directly dependent for their livelihoods.

INTERNATIONAL AGENDA ON CLIMATE CHANGE AND CLIMATE FINANCE

3. The UNFCCC is the global forum for concerted international action to mitigate climate change and adapt to its impact. A key UNFCCC principle is that of 'common but differentiated responsibility': developed countries should take the lead in fighting climate change and supporting developing countries in their adaptation and mitigation efforts, since the latter have contributed the least to the accumulation of greenhouse gases in the atmosphere but will be the most affected. In other words, the polluter should pay.

4. Parties to the UNFCCC have met annually since 1995 to assess progress in dealing with climate change. These meetings are known as COPs, or Conferences of Parties. The most recent COPs were held in Doha in November 2012 (COP 18) and in Warsaw in November 2013 (COP 19).

[1] UNFCCC, *Climate Change: Impacts, vulnerabilities and adaptation in developing countries*, 2007, p. 42.

5. At COP 15 (Copenhagen 2009), developed countries agreed to a voluntary commitment (the Copenhagen Accord) to 'new and additional' financing to support developing countries in dealing with the challenges of climate change, through mitigation, adaptation, technology development and transfer as well as capacity-building actions. The accord comprised:

(a) a short-term commitment, called 'Fast Start Finance' (FSF) of about 30 billion USD for the 2010 to 2012 period. The aim of FSF was to help developing countries implement immediate, urgent action to tackle climate change and enable them to absorb a larger amount of finance in the longer term;

(b) a longer-term commitment to raise the amount of climate finance to 100 billion USD per year by 2020 from a wide range of funding sources, public and private, bilateral and multilateral, including innovative sources of finance.

6. COP 16 (Cancún 2010) built on the Copenhagen Accord by approving the establishment of a global Green Climate Fund (GCF), to channel most of this funding. COP 16 reaffirmed previous commitments that funding for adaptation to climate change is a priority for the most vulnerable developing countries, namely the least developed countries (LDCs), small island developing states (SIDS) and Africa (see ***Annex I***).

EU POLICY ON CLIMATE FINANCE IN THE CONTEXT OF EXTERNAL AID

7. The EU's climate change policy for developing countries dates back to 2003[2]. The policy has since been updated to incorporate and emphasise certain areas, namely adaptation[3] (2004), disaster risk reduction[4] (2009) and supporting capacity development and technology transfer in the sustainable agriculture and energy sectors, including adaptation to climate change and mitigation strategies[5] (2011).

[2] COM(2003) 85 final of 11 March 2003.

[3] Council Conclusions No 15164/04 of 24 November 2004 on Climate Change in the Context of Development Cooperation (http://consilium.europa.eu).

[4] COM(2009) 84 final of 23 February 2009.

[5] COM(2011) 637 final of 13 October 2011.

8. Climate change is an important priority of EU foreign policy. The 2011 joint paper prepared by the EEAS and the Commission warned that climate change has important security implications. It recognised the important role that the High Representative, the Commission and the EEAS can play in working collaboratively with Member States on climate diplomacy and encouraged joint programming of aid aimed at maximising synergies and avoiding duplication[6]. The Council set up an EU Green Diplomacy Network in 2003 and called for 'a more proactive and targeted EU climate diplomacy agenda aimed at maximising our collective efforts and further enhancing the EU climate voice internationally'[7].

9. The coordination of development aid is a shared responsibility between the EU and the Member States. Article 210 of the Treaty on the Functioning of the European Union stipulates that this is 'in order to promote complementarity and efficiency' and the Commission 'may take any initiative for this purpose'[8]. To ensure such coordination, the Commission subscribed to the Paris Declaration on Aid Effectiveness (2005) and the Council adopted the European Consensus on Development (2006): the EU and its Member States are committed to promoting better donor coordination and complementarity and should take a lead role in implementing the Paris Declaration. In 2008, the Commission and the Member States launched the EU Fast Track Initiative (FTI) on Division of Labour to improve aid effectiveness by implementing the 'EU Code of Conduct on Division of Labour'[9].

EU AND MEMBER STATES CLIMATE FINANCE IN THE CONTEXT OF EXTERNAL AID

10. The EU and its Member States pledged to contribute 7,2 billion euro (10 billion USD) to the FSF initiative (see paragraph 5), with a balanced allocation between adaptation and mitigation measures, as required by the Cancún agreement. The Commission's share of the total pledge amounted to 150 million euro for the 2010–12 period.

11. The Copenhagen Accord longer-term commitment was to mobilise 100 billion USD per year by 2020, but its allocation between developed countries was not determined. The Commission estimates, however, that the EU and Member States' share in this global effort lies between 29 % and 38 % of the total (i.e. between 22 billion and 29 billion euro)[10].

[6] http://eeas.europa.eu/environment/docs/2011_joint_paper_euclimate_diplomacy_en.pdf

[7] http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/137587.pdf

[8] Article 210(1): In order to promote the complementarity and efficiency of their action, the Union and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organisations and during international conferences. They may undertake joint action. Member States shall contribute if necessary to the implementation of Union aid programmes.
Article 210(2): The Commission may take any useful initiative to promote the coordination referred to in paragraph 1.

[9] Council of Ministers of 15 May 2007, document No 9558/07.

[10] SEC(2011) 487 final of 8 April 2011, p. 18. (http://ec.europa.eu/economy_finance/articles/financial_operations/pdf/sec_2011_487_final_en.pdf).

12. The Commission funds climate finance in the context of external aid from the EU budget and the European Development Funds (EDF). Over the 2003–12 period EuropeAid committed approximately 4 650 million euro in climate finance and ECHO committed 155 million euro to fund climate-related disaster preparedness. See ***Annex II*** for further details.

13. Climate finance is provided under both thematic programmes[11] and geographic programmes. The Commission's climate finance is mainly channelled through bilateral programmes with partner countries and regional organisations. ***Annex III*** provides an overview of these delivery channels.

14. Support for adaptation aims to help partner countries build resilience to the adverse effects of climate change. Programmes focus on the protection of infrastructure, industry and agriculture against changing weather patterns and rising sea levels, as well as investment in water management and drought-resistant crops. Support for mitigation aims to speed up the transition to a low-carbon global economy. Programmes focus on the development of clean energy technologies, energy efficiency and reducing greenhouse gas emissions through the sustainable management and conservation of forests and carbon stocks.

[11] Chiefly the thematic programme for Environment and Sustainable Management of Natural Resources including Energy (ENRTP) and the Food Security Thematic Programme (FSTP).

AUDIT SCOPE AND APPROACH

15. This audit examines the provision of climate finance for developing countries by the EU. The report focuses on the following two questions:

(a) Has the Commission managed climate-related support funded from the EU budget and the EDF well?

(b) Has the Commission taken appropriate steps to promote coordination with EU Member States in respect of climate finance for developing countries; and has such coordination been adequate?

16. The audit covered the Commission's climate change finance initiatives taken in the 2007–13 period with an impact up to 2020. It involved documentary reviews, desk reviews of programmes in 16 countries and two regions, interviews and on-the-spot audit visits to four countries: Bangladesh, Indonesia, Tanzania and Uganda. The audit criteria and the audit evidence collection methods are described in more detail in ***Annex IV***.

OBSERVATIONS

THE COMMISSION MANAGED CLIMATE-RELATED SUPPORT FUNDED FROM THE EU BUDGET AND THE EDF WELL

17. This section examines whether financial resources allocated by the Commission to address the challenges of climate change:

(a) adequately reflected policy commitments; and

(b) were tailored to the specific circumstances of partner countries and regions.

THE COMMISSION INCREASED THE PRIORITY GIVEN TO CLIMATE FINANCE

18. The Commission steadily increased climate-related spending for developing countries through the EU general budget and EDF during the ten-year period ended 2012 (see ***Figure 1***), which included a supplementary contribution of 155 million euro provided under the FSF initiative. Over the 2007-2013 programming period, approximately 3,7 billion euro was committed to climate-related programmes until the end of 2012, i.e. about 8 % of the total EU budget and EDF development funding (see ***Annex II***, ***Table 1***).

19. For the 2014–20 period, the European Council[12] has endorsed targeting at least 20 % of total EU spending on climate-related action, reflecting the EU's strategic priority of addressing climate change. This 20 % target is included in the draft Development Cooperation Instrument (DCI) regulation for the 2014 to 2020 period[13], and in the 11th EDF programming instructions[14]. Assuming that the 20 % target were applied to all external aid, this would represent an estimated amount of 11,6 billion euro for climate change under external aid, that is to say more than a threefold increase compared to the amount committed over the 2007–13 period.

20. Implementing such a policy commitment will require a considerable effort on the part of the Commission, the European External Action Service (EEAS) and partner countries. However, discussions with the EU delegations in the four countries visited revealed that the need to take account of climate change objectives in future programming was not being systematically considered: in Bangladesh, the delegation had no plans to scale up climate change in the cooperation strategy and programmes, whereas in Uganda and Tanzania this was confirmed to be the case[15].

[12] European Council Conclusions of 7/8 February 2013 on the MFF 2014–20 (EUCO 37/13) paragraph 10: '[…] Climate action objectives will represent at least 20 % of EU spending in the period 2014–20 […]'.

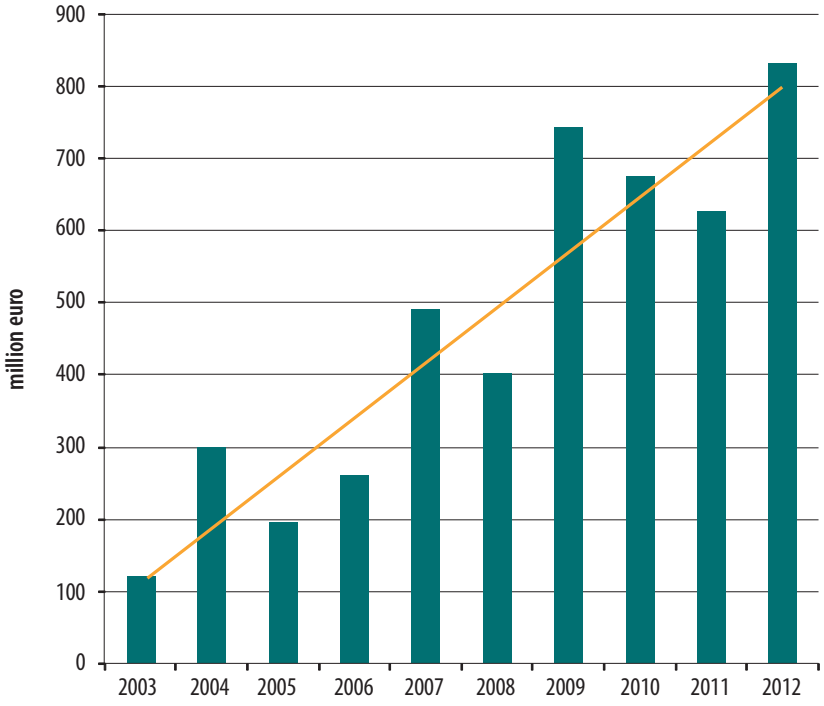
[13] COM(2011) 840 final of 7 December 2011.

[14] 'Instructions for the programming of the 11th EDF and the DCI 2014–20' issued by the EEAS and the European Commission, dated 15 May 2012 (see p. 3, footnote 2).

[15] Indonesia is one of the 19 emerging economies that will fall under the newly created Partnership Instrument and will therefore no longer be eligible for bilateral aid under the DCI from 2014 onwards.

FIGURE 1

EUROPEAID'S CLIMATE FINANCE COMMITMENTS 2003–12



Source: European Commission.

THE COMMISSION TAILORED ITS CLIMATE FINANCE TO PARTNER COUNTRY SPECIFIC CIRCUMSTANCES

21. During 2007–13 the Commission's programming guidelines required analyses of climate change-related risks and opportunities for each partner country[16] to be carried out. In 2009 it issued guidelines to the EU delegations indicating how climate change should be taken into account in specific sectors[17].

22. As noted in paragraph 6, the Copenhagen Accord and COP 16 in Cancún have emphasised the need to give priority to climate change adaptation measures, particularly in respect of LDCs, SIDS and African countries[18]. The Council endorsed these priorities although without setting any quantified targets[19]. Nevertheless, the Commission's climate finance commitments reflect these priorities.

[16] Country Environmental Profiles and Regional Environmental Profiles.

[17] Guidelines for mainstreaming environment and climate change into development aid were adopted. Guidelines were also issued for eight sectors of intervention: health, infrastructure, agricultural and rural development, energy supply, education, water supply and sanitation, trade and investment, and solid waste management.

[18] http://unfccc.int/cooperation_support/financial_mechanism/fast_start_ finance/items/5646.php

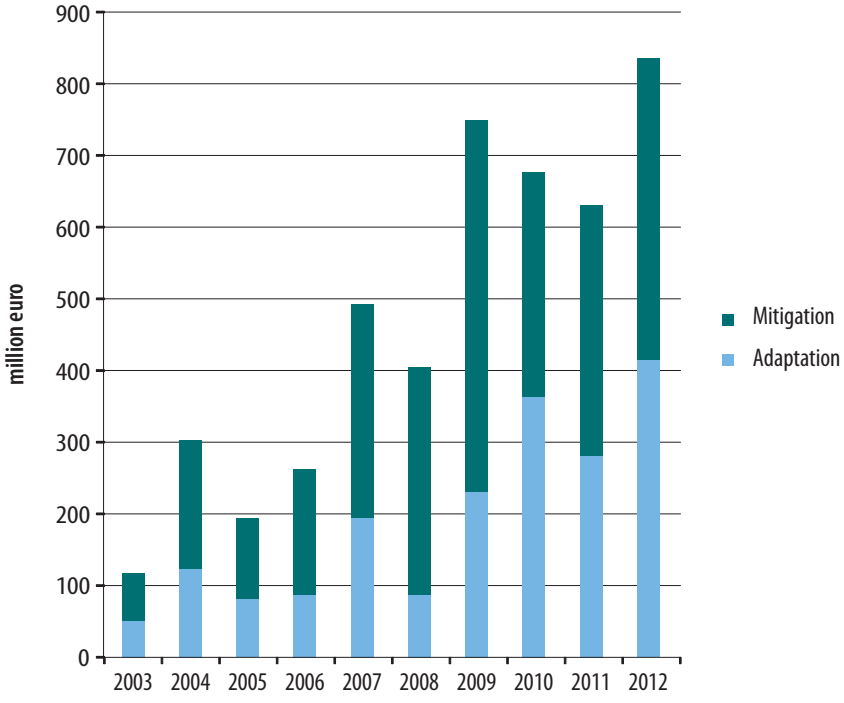
[19] Council Conclusions No 15265/1/09 REV1 of 1 December 2009, 9437/1/10 REV1 of 12 May 2010, 14957/10 of 14 October 2010 and 15353/11 of 10 October 2011 (http://consilium.europa.eu).

23. Over the 2003–12 period, adaptation funding represented slightly less than half of the Commission's climate finance commitments (see ***Figure 2***) and its share has been higher since 2010. During the whole period, half of the adaptation commitments under its country programmes[20] supported adaptation efforts in LDCs, SIDS and African countries (see ***Table 4*** in ***Annex II***).

[20] The Commission's data do not enable the share for LDCs, SIDS and African countries in regional programmes to be determined.

FIGURE **2**

ESTIMATED SPLIT BETWEEN EUROPEAID'S ADAPTATION AND MITIGATION CLIMATE FINANCE ALLOCATIONS



Source: European Commission. The Court has estimated the split by directly applying the respective percentages to the total amount (see ***Table 3*** in ***Annex II***).

24. For the sample of 16 countries and two regions reviewed, the Court found that the Commission adequately reflected the climate change priorities identified for most of them in its 2007–13 programming[21]:

(a) the Commission gave particular consideration to climate change in 13 countries and the Asian region, where it was addressed either as a specific priority sector of its cooperation strategy[22] or under another priority sector related to environment, management of natural resources, rural development or even trade and investment[23];

(b) in five countries[24], the mid-term review of the 2007–13 programmes resulted in decisions to strengthen climate change-related support by adding new areas of intervention or increasing the amount of funding allocated.

25. Taking the 16 countries in its sample, the Court analysed in detail a further sub-sample of eight countries and two regions[25] as to whether the Commission's climate-related interventions addressed the priorities identified by partner countries themselves. The Court found that programmes were appropriately targeted.

COORDINATION BETWEEN THE COMMISSION AND MEMBER STATES TO ASSIST DEVELOPING COUNTRIES IN RESPONDING TO CLIMATE CHANGE IS INADEQUATE

26. Article 210 of the Treaty on the Functioning of the European Union gives the Commission a role in optimising coordination between the Union and the Member States. Climate change is an important priority of EU foreign policy and the Commission has subscribed to the Paris Declaration on Aid Effectiveness (see paragraphs 8 and 9).

27. This section assesses progress made in a number of areas in ensuring that the actions of the EU and the Member States are indeed complementary and efficient. In particular it looks at:

(a) whether the Commission coordinated its country programmes with those of Member States;

(b) whether the Commission promoted coordination with Member States to comply with international climate finance long-term commitments as agreed in the 2009 Copenhagen Accord;

[21] See ***Annex IV***.

[22] In China, Ukraine and the regional programming for Asia.

[23] In Bangladesh, Bolivia, Brazil, Ethiopia, Guyana, Indonesia, Mali, Morocco and Uganda.

[24] Indonesia, Bolivia, China, Ukraine and Morocco.

[25] Bangladesh, Ethiopia, Indonesia, Mauritius, Nicaragua, Tanzania, Ukraine and Uganda, East Africa and Asian regions.

(c) what has been achieved in respect of monitoring, verifying and reporting on climate finance pledged and paid;

(d) to what extent progress made in these areas makes it possible to verify and analyse the contributions made by the EU and the Member States to the FSF; and

(e) whether the EU has contributed to simplifying the mechanisms for delivery of climate finance ('reducing fragmentation').

COORDINATION OF EU AND MEMBER STATES COUNTRY PROGRAMMES NEEDS IMPROVEMENT

28. The need for coordination in external aid between the EU and its Member States has been regularly stressed over the years in Council conclusions[26]. According to the Paris Declaration and the European Consensus on Development, aid should be concentrated in those areas where a donor has a comparative advantage.

29. The Commission and EEAS believe that the division of labour and identification of comparative advantages can only be determined at partner country and context-specific levels. EU delegations are expected to explore division of labour. No specific analysis is carried out: comparative advantages are usually measured by a donor's capacity to 'mainstream' climate change in a particular sector, and human resources at the regional or central levels are not taken into account. The Commission and the Member States do not exchange information on allocations by country under their climate finance initiatives, in particular to identify countries in which there are substantial overlaps ('darling countries') or gaps ('aid orphans') in terms of donor activity and/or in the level of aid allocations. The EU Code of Conduct encourages complementarity and division of labour in development policy[27].

30. The third monitoring report and progress review of the FTI (see paragraph 9) found mixed results[28]. A pilot scheme involving EU delegations and Member State embassies for a select number of countries (including Bangladesh) was launched, but the results were disappointing for reasons linked to both donors and partner countries[29]. The Court's findings concur with the OECD–DAC's conclusions in its European Union Peer Review (2012) that a combination of technical and political obstacles has meant that the EU institutions have not made as much progress as they had hoped in joint programming[30].

[26] See, for example, the Council Conclusions of 14.10.2010 (Preparations for the 16th session of the Conference of the Parties (COP 16) to the United Nations Framework Convention on Climate Change (UNFCCC) and the 6th session of the Meeting of the Parties to the Kyoto Protocol (Cancun, 29 November to 10 December 2010)).

[27] See the EU Code of Conduct on Complementarity and the Division of Labour in Development Policy http://register.consilium.europa.eu/pdf/en/07/st09/st09558.en07.pdf
See also Council Conclusions of the 3166th Foreign Affairs Council meeting of 14 May 2012.

[28] SEC(2011) 502 final of 19 April 2011, Annex 5.

[29] Including: lack of partner country capacity or interest; lack of proper governance rules; complex circumstances in the country; the existence of other coordination mechanisms; lack of synchronisation of donors' agendas or programming cycles; lack of transparency on the part of some donors; strong bilateral interests; and, in some cases, clear predominance of the EU as the main donor.

[30] http://www.oecd.org/dac/peer-reviews/50155818.pdf (p. 22).

31. The effective division of labour and complementarity of donor actions are dependent on several factors. These include:

- donor willingness to cooperate on aid effectiveness and the fight against corruption;
- national authority willingness to cooperate;
- the presence of a national climate strategy.

These are examined in more detail in paragraphs 33 to 39.

32. The quality of donor coordination on climate change varied in the four countries visited by the Court. It was better in Bangladesh, Tanzania and Uganda than in Indonesia, but the Court found that there remains scope for improved action by the EU delegations to strengthen EU donor coordination in all four countries. ***Box 1*** illustrates an example of inadequate coordination found during the Court's field inspection in Bangladesh.

BOX 1

BANGLADESH: AN EXAMPLE OF UNCOORDINATED PROGRAMMES

In Bainpara, two water supply programmes were implemented almost simultaneously. One, funded by UNICEF, UK and Oxfam was completed in 2011. The other one, funded by the EU and UK through the Comprehensive Disaster Management Programme and the German development agency[31] was completed in 2012. Inadequate coordination meant that the possibility to combine support from various donors in one programme for a more cost-effective approach was not considered.

[31] Deutsche Gesellschaft für Technische Zusammenarbeit.

33. Donor willingness to coordinate their efforts varies greatly between the four countries visited:

(a) in Bangladesh, Tanzania and Uganda, climate finance is discussed in thematic working groups but the implementation of programmes is not always well coordinated (see paragraph 32)[32]. EU Heads of Mission in Bangladesh expressed doubts about the joint programming as set out in the Council Conclusions[33];

(b) in Indonesia, donor competition exists and government roles and responsibilities with regard to climate change are unclear. Other factors pose additional challenges: the country's size, its considerable natural resources and a financial capacity that attracts many donors[34] with different national agendas; a few donor countries dominate as 'natural leaders' by providing very substantial amounts of funding[35].

34. Like other forms of foreign aid, climate finance is vulnerable to corruption[36]. Bangladesh, Indonesia, Tanzania and Uganda are all strongly affected by this problem[37]. Donor cooperation is essential to minimise the risks of corruption.

35. In Uganda, international donors developed the Joint Response to Corruption in 2009. Following the discovery by Uganda's Auditor-General in 2012 that millions of USD in donor money had disappeared, several donors suspended aid to Uganda, including the Commission and Member States. In Tanzania, there was a high level dialogue on corruption in the framework of the Global Budget Support Partnership.

36. In Bangladesh, where corruption was described to the Court as 'egregious' by a major donor, two trust funds have been set up — one by the government (Bangladesh Climate Change Trust Fund), and the other by international donors, including the EU, to limit fiduciary risks (Bangladesh Climate Change Resilience Fund). In Indonesia, most donors, including the EU, have opted not to participate in the Indonesia Climate Change Trust Fund due to weak governance arrangements.

[32] For example, in Uganda the World Bank intends to fund a new water supply and sanitation programme although there is already a programme co-financed by other donors, including the EU, which works well.

[33] Council conclusions No 16773/11 of 14 November 2011.

[34] There are around 50 donors in place, according to the EU delegation.

[35] For example, while EU ODA to Indonesia in 2009–10 amounted on average to 109 million USD, Japan provided 1 505 million USD, France 326 million USD, the USA 269 million USD and Germany 172 million USD (*Source:* http://www.oecd.org/dac/stats/IDN.gif).

[36] Transparency International, Global Corruption Report: Climate Change (2011).

[37] According to Transparency International's Corruption Perception Index, all four rank low among 176 countries and territories: Tanzania (102); Indonesia (118); Uganda (130); and Bangladesh (144) (*Source:* http://cpi.transparency.org/cpi2012/results/).

37. However, institutionalised dialogue similar to what is in place in Uganda and Tanzania has not been established in Bangladesh and Indonesia, nor has it been proposed by the Commission. Donors in these countries need to intensify their coordination in the fight against corruption[38].

38. National governments' willingness to play an important role in supporting donor coordination and division of labour greatly influences aid effectiveness. A mixed picture was found in the four countries visited:

(a) the government of Bangladesh participates actively in development partner groups and their subsidiary working parties. Bangladesh was the first country in the world to publish a Joint Cooperation Strategy in response to the Paris Declaration and Accra Agenda which helped ensure greater complementarity of donor programmes[39];

(b) the governments of Uganda and Tanzania participate in joint thematic working groups with development partners, although some ministries prefer to maintain bilateral contacts so as to take advantage of potential differences of view among development partners;

(c) in Indonesia, responsibility for coordination in the area of climate change is shared by a range of bodies[40], and coordination accountability is unclear to donors.

39. A single clear national climate strategy can bolster national ownership and facilitate donor coordination. Bangladesh serves as an example of good practice, whereas Indonesia has several purported strategies and policies. Nonetheless, a strategy alone is not sufficient to ensure better results[41]. The Court found that, in all four countries visited, the lack of prioritisation within government weakened climate change strategies and action plans.

[38] The Court has pointed out on several previous occasions that the Commission needs to be more attentive to the risks of corruption in external aid. See, for example, Special Report No 11/2010 on the Commission's management of general budget support in ACP, Latin American and Asian countries and Special Report No 4/2013 on EU cooperation with Egypt in the field of governance (http://eca.europa.eu).

[39] However, the Joint Cooperation Strategy was suspended in 2011 following allegations of corruption relating to a major World Bank-financed programme.

[40] Such as the Bappenas (Ministry of National Development Planning), the National Council on Climate Change or the REDD Task Force.

[41] For example, since 2007 Indonesia has produced several national action plans and roadmaps for climate change, but they do not facilitate donor coordination.

THE COMMISSION AND MEMBER STATES HAVE NOT AGREED HOW TO SCALE UP LONG-TERM CLIMATE FINANCE

40. The Commission stepped up efforts after the Copenhagen Accord to scale up total EU and Member States' climate finance by identifying potential innovative sources in order to meet the 2020 commitment (see paragraphs 5 and 11)[42]:

- auction revenues under the EU Emissions Trading System (EU ETS);
- carbon pricing of international aviation and maritime transport;
- a new Carbon Market Mechanism;
- a financial sector levy; and
- access to climate finance through multilateral and other development banks.

41. The Commission has taken several initiatives to tap these potential innovative sources of finance in coordination with Member States with varying degrees of success (see ***Annex V***), but significant challenges remain:

(a) private finance is expected to form the largest source of climate finance towards meeting the commitments under the Copenhagen Accord. However, there is no agreement globally on what types of spending will count as private finance[43]. In spite of repeated Council conclusions[44] and several Commission initiatives[45], the Commission and Member States have not adopted a common position;

(b) notwithstanding the Council's commitment 'to work towards the identification of a path for scaling up climate funding from 2013 to 2020'[46], the Commission has not yet proposed a roadmap. How much funding could be used for developing countries and what Member States' respective contributions has not been decided.

[42] SEC(2010) 409 final of 1 April 2010 and SEC(2011) 487 final of 8 April 2011.

[43] OECD, *Comparing Definitions and Methods to Estimate Mobilised Climate Finance*, May 2013.

[44] See 3167th Economic and Financial Affairs Council conclusions of 15 May 2012 or 3198th Economic and Financial Affairs Council conclusions of 13 November 2012.

[45] In August 2011, the Commission launched a questionnaire for Member States on the definition and role of private climate finance, but fewer than half the Member States (plus the EIB) replied. Discussions are ongoing at Council working party and expert group levels. In spite of some progress through the sharing of lessons learned between Member States on mobilising private finance, an agreement is still outstanding.

[46] Press release from the 3088th Economic and Financial Affairs Council meeting of 17 May 2011 and Council conclusions on climate finance of the 3115th Economic and Financial Affairs Council meeting of 4 October 2011.

AN EFFECTIVE MONITORING, REPORTING AND VERIFICATION SYSTEM IS NOT YET IN PLACE

42. An effective monitoring, reporting and verification framework can enhance the effective use of public and private funds. Good reporting is critical to building confidence and trust between donor and recipient countries through strengthened accountability, credibility and transparency.

43. The entry into force in June 2013 of a mechanism[47] for monitoring and reporting greenhouse gas emissions (MMR) followed on the heels of the UNFCCC framework for the biennial reporting adopted in February 2013[48]. The MMR goes further than the UNFCCC reporting framework insofar as it requires Member States to report on their use of ETS revenue for climate finance as well as all public (i.e. not private) climate finance provided to developing countries.

44. However, while common reporting formats have been agreed, common standards and definitions have not. Consequently, the new mechanism still falls short of ensuring sufficient comparability of data. In particular, divergent national definitions of 'new and additional', the application of the Rio Markers and the distinction between promises and payments are matters that have not yet been resolved — all of which may impinge on the extent to which international climate finance is genuinely being scaled up.

'NEW AND ADDITIONAL'

45. The 2009 Copenhagen Accord stressed the need for 'new and additional resources', although this was not defined. The European Parliament has called for EU resources for adaptation and mitigation to come on top of the 0,7 % official development assistance target[49]. To date, there is no commonly agreed definition of 'new and additional', and donors (including individual Member States) have followed their own approaches[50].

[47] Regulation (EU) No 525/2013 of the European Parliament and of the Council of 21 May 2013 on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change and repealing Decision No 280/2004/EC (OJ L 165, 18.6.2013, p. 13).

[48] http://unfccc.int/resource/docs/2012/cop18/eng/08a03.pdf

[49] European Parliament resolution on the climate change conference in Durban, P7_TA(2011)0504 (16.11.2011).

[50] EU Accountability Report 2011 on Financing for Development: Review of progress of the EU and its Member States, p. 44 (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SEC:2011:0500:FIN:EN:PDF). See also, for example, OECD's report 'Development Perspectives for a Post-2012 Climate Financing Architecture', p. 8.

46. In June 2010 the Commission proposed a common approach on the definition of 'additional' funding. However, some Member States were opposed to this. A 2011 Commission survey of Member States revealed the diversity of definitions used. The Court can confirm that, for four Member States examined[51], very divergent approaches to what is considered 'new and additional' were used (see ***Annex VI***).

47. Some significant FSF contributions reported by Member States include commitments previously made[52]. Some Member States (for example Belgium, Spain and Sweden) consider funding for the GEF to be part of their FSF pledges, others (such as France, Finland and the United Kingdom) only partially count it, while Denmark and Germany do not count it at all[53].

RIO MARKERS

48. Climate change is usually an element integrated into aid programmes that also address other development objectives[54]. Identifying climate change-related programmes therefore involves a margin of judgement: the most widely accepted method for tracking climate change spending is the OECD–DAC methodology of 'Rio Markers' [55].

49. Although nearly all EU FSF funding is provided by Member States that are bound to apply Rio Markers in their reports to the OECD–DAC[56], the Commission and the Member States have not agreed on a common set of parameters to quantify the climate finance component of 'Rio-marked' programmes. As a result, while the Commission applies its own classification of the Rio Markers, it has limited insight into the Member States' practices and therefore cannot know whether the reported data are comparable and the totals can be reconciled.

[51] Germany, France, Italy and the United Kingdom. The Court selected these four Member States on the basis of the higher amounts provided for the EU FSF.

[52] For example, the EU FSF list of programmes includes contributions from Member States to the Clean Technology Fund, the Pilot Programme for Climate Resilience or the Global Environment Facility (GEF). However the trustee reports of these funds do not reflect these increases.

[53] J. Brown, M. Stadelmann, L. Hörnlein, *Fast-start finance to address climate change: what we know at the mid-point*, Overseas Development Institute, 2011.

[54] Such as agriculture, energy or education.

[55] Since 2007, the Rio Markers have been mandatory for OECD–DAC members, making them the most widely accepted methodology.

[56] Fourteen Member States are not OECD–DAC members: Bulgaria, Czech Republic, Estonia, Croatia, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland, Romania, Slovenia and Slovakia.

PLEDGES, PROMISES AND PAYMENTS

50. The Copenhagen Accord did not specify what donors' pledges to raise climate finance should actually mean. As a result, donors (including Member States) have reported their FSF amounts on the basis of promises (allocations) rather than actual cash payments (disbursements). This problem is not limited to the EU[57]. Many of the dedicated multilateral funds through which the Commission and Member States channel climate finance do not consistently report on the disbursement of funding. The OECD reported in May 2013 on the uncertainty over what the term 'mobilise' means in the context of international climate finance and the implications that this may have on trust and transparency[58].

51. For the FSF, based on its own analysis, the Court estimates that, as at mid-2013, 155 million euro had been committed and 38 million euro had been paid by the Commission.

THE EXTENT TO WHICH THE FSF PLEDGE HAS BEEN FULFILLED IS UNCLEAR

52. The EU and its Member States reported annually to the UNFCCC on their contribution for each of the 3 years of the FSF initiative. The Commission compiled the data, which covered the Commission and Member State contributions. Each report was then adopted by the Council and submitted jointly by the EU Presidency and the Commission to the UNFCCC.

53. The final report[59], submitted to the UNFCCC on 29 May 2013, states that the EU and its Member States mobilised 7,34 billion euro during the 2010 to 2012 period. This exceeds the overall commitment of 7,2 billion euro made in 2009 (see ***Figure 3***). The Council concluded that the overall commitment had been achieved.

[57] Between 2003 and 2011, the total value of climate funds pledged, approved for spending and disbursed for global climate funds at a worldwide level was 30,88 billion USD, 9,34 billion USD, and 1,92 billion USD respectively. *Source:* 'The Atlas of Climate Change', Dow & Downing, 2011. Figures obtained from www.ClimateFundsUpdate.org

[58] 'The lack of clarity regarding 'mobilised' climate finance and what could constitute appropriate guidelines for measurement, reporting and verification (MRV) has important political implications in the UNFCCC context, as such clarity is required for building trust and transparency, as well as for improving mutual accountability'. OECD Climate Change Expert Group Paper No 2013(2), May 2013.

[59] Each report is based on aggregated data with an annex comprising a detailed list of individual actions ('list of interventions') supported by the Commission and Member States. The list of interventions does not, however, include the sum of the individual actions (http://ec.europa.eu/clima/policies/finance/international/faststart/documentation_ en.htm).

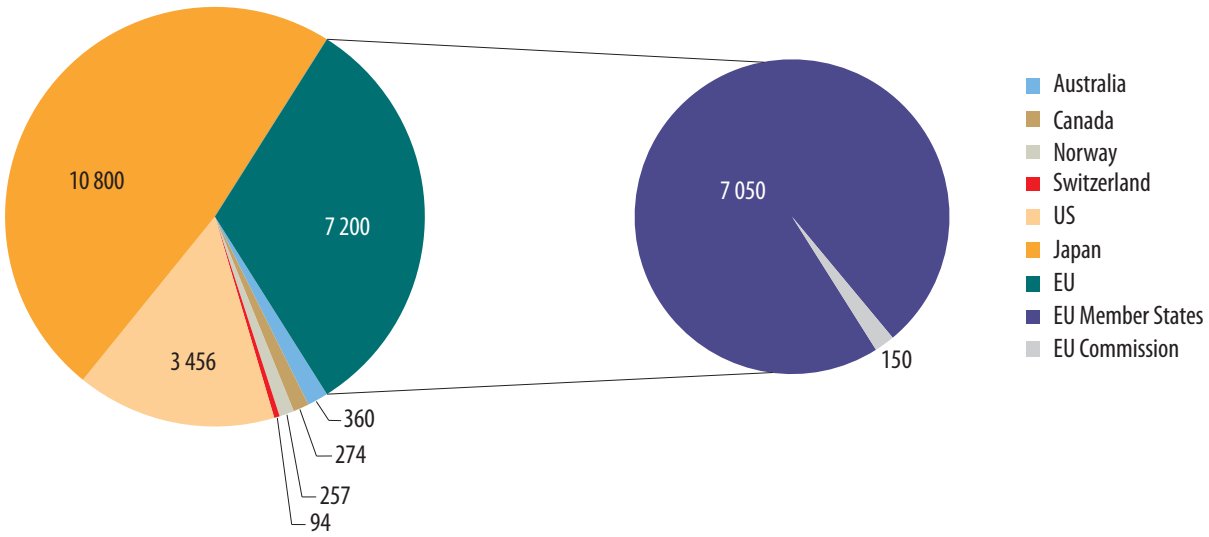
54. The Court could not reconcile the reported amount of 7,34 billion euro with the data in the 'list of interventions'[59]. The Court estimated that the sum of interventions amounted to approximately 5,48 billion euro, resulting in a difference of 1,86 billion euro (25 % of the reported total). The Commission did not review the accuracy of the submissions by Member States and is unable to explain the differences.

55. Given these differences and the lack of common definitions and methods to identify climate-related spending, the extent to which the FSF commitment was fulfilled by the EU and its Member States is unclear.

FIGURE 3

FSF PLEDGES BY DONOR

(million euro[1])



[1] The developed countries' pledges amounted to 31,2 billion USD. This amount was calculated in euro on the basis of the exchange rate used by the EU and its Member States to convert their pledge of 10 billion USD to 7,2 billion euro.

Source: http://climateanalytics.org/sites/default/files/attachments/news/20101005_FastStartFinance_update.pdf

THE COMMISSION AND MEMBER STATES DID NOT ACT JOINTLY TO REDUCE THE FRAGMENTATION OF CLIMATE FUNDS

56. Recent years have seen a worldwide profusion of climate change-related funds. This proliferation of funding mechanisms is creating a highly fragmented system which poses significant coordination, ownership and accountability challenges.

57. The United Nations Development Programme (UNDP) has estimated that there are more than 50 international public funds, 45 carbon markets and 6 000 private equity funds providing climate change finance[60], each with its own governance structure. As the World Bank notes, fragmentation of this sort threatens to reduce the overall effectiveness of climate finance[61]. The Paris Declaration states[62] that donors should aim to apply common and simplified procedures to avoid duplication and to reduce transaction costs, and the Organisation for Economic Cooperation and Development (OECD) has warned that clearer definition of the respective roles of multilateral funds, better coordination, or consolidation of some of the funds, might be appropriate[63].

58. The Commission and Member States use both bilateral and multilateral channels to disburse climate finance. In 2010 they used no less than 22 multilateral channels[64].

59. The Commission did not consider reducing the fragmentation of climate funds as a priority when designing its own programmes. It also did not discuss the issue with Member States.

60. The Commission proposed to create the Global Climate Change Alliance (GCCA) as the 'EU answer to the development dimension of climate change'[65]. The Council endorsed this proposal in November 2007, although it noted the need to make 'optimal use' of mechanisms already existing at both EU and global level, and stressed the 'strictly complementary' nature of the GCCA to ongoing processes and frameworks[66]. Only five Member States have made (mostly modest) contributions to the GCCA[67], and despite several attempts to encourage greater participation, the Commission has not succeeded in widening the base of EU support for its flagship initiative.

[60] UNDP, *Blending Climate Finance through National Climate Funds*, 2011, p. 6. For an analysis of multilateral funding mechanisms, see OECD, *Development Perspectives for a Post-2010 Climate Financing Architecture*, (http://www.oecd.org/dataoecd/47/52/47115936.pdf).

[61] World Bank, *World Development Report 2010: Development and Climate Change*, 2009.

[62] OECD, *The Paris Declaration on Aid Effectiveness*, 2005, p. 6.

[63] OECD, *Development Perspectives for a Post-2012 Climate Financing Architecture*, 2011, p. 23.

[64] EU Fast start finance Report for Cancún, Council document No 15889/10.

[65] European Commission (2008): 'Commission Staff Working Document: Implementation Framework of the Global Climate Change Alliance', p. 4.

[66] See General Affairs and External Relations Council Conclusions of 20 November 2007 (http://register.consilium.europa.eu/pdf/en/07/st15/st15103.en07.pdf).

[67] The GCCA combines contributions from the EU budget (166 million euro), the EDF (40 million euro) and Member States: Ireland (31 million euro), Sweden (5,1 million euro), Estonia (0,8 million euro), Cyprus (0,6 million euro) and the Czech Republic (0,2 million euro).

61. The GCCA has not been integrated either into the work of the Member States or into the Commission's own programming. The Commission has struggled to convince the Member States of the added value of the initiative. The Member States' inconsistency in endorsing the Commission's proposal to launch the GCCA, while subsequently showing reluctance to actively support the initiative, has also contributed to a significant gap between the GCCA's original ambitions and actual achievements.

62. The establishment of the GCCA in 2007–08 predated both the conclusions by the Commission on Climate Change and Development in 2009 that no further vertical funds should be created for adaptation, and the COP 16 agreement in Cancún in 2010 to establish the GCF. However the Commission did not seek to reappraise the necessity of maintaining the GCCA in the light of these developments. The Member States have also been reluctant to merge or close their national climate funds, or to obtain greater synergies among them, as a way of reducing transaction costs and the administrative burden for developing countries.

63. The Green Climate Fund (GCF) was established to help meet the aims of the Copenhagen Accord through raising international climate finance to 100 billion USD per year by 2020. A Transitional Committee prepared the launch of the GCF. Some Member States made joint contributions (e.g. Denmark and the Netherlands); the Commission and other Member States contributed separately (e.g. Germany and the United Kingdom). The EU and the Member States did not act jointly.

64. The GCF Governing Board is responsible for funding decisions, including the arrangements for delivery. When the appointment of developed countries' representatives to the Board was agreed in May 2012, seven out of 12 seats were allocated to Member States. Although the Council expressed support for allocating one seat to the Commission as the EU representative[68], the Member States did not agree to do so in practice[69]. The Commission is the EU's lead negotiator at COPs, and the promoter of coordination in accordance with the Treaty and the European Consensus on Development, but is absent from the table in the largest fund designed to address climate change.

[68] 3167th Council meeting, Economic and Financial Affairs, 15 May 2012.

[69] The Russian Federation and the United States opposed a seat for the EU, arguing that this would imply double representation for some of the Member States.

CONCLUSIONS AND RECOMMENDATIONS

65. The Court concludes that the Commission has managed EU climate-related spending from the EU budget and the EDF well. However, for the EU to maximise its international impact, coordination between the Commission and Member States in climate finance for developing countries should be considerably improved.

66. As regards its management of climate-related support funded from the EU budget and the EDF, the Commission has performed well. In line with policy commitments it steadily increased climate-related spending since 2007 and intends to scale up this funding considerably during the 2014–20 period (see paragraphs 18 to 20). It has focused on appropriate global priorities and tailored its programmes to the specific circumstances of individual partner countries (see paragraphs 21 to 25).

67. Coordination between the Commission and Member States in respect of climate finance for developing countries is inadequate. The Commission has not exercised sufficient leadership in some areas and the Member States have not been sufficiently responsive to some of its initiatives. Notwithstanding some improvements in coordination between the Commission and Member States during the period examined, significant further efforts are needed to ensure that the EU's and Member States' country programmes are complementary, and to prevent and combat corruption (see paragraphs 28 to 39). Common positions and practices on a number of key issues have not emerged. They have not agreed how to meet the commitments to scale up climate finance to 2020; there is no common definition of 'new and additional' climate finance and 'private finance', nor a common application of the Rio Markers to identify climate-related programmes (see paragraphs 40 and 41).

68. A robust reporting system providing comprehensive and reliable information on the Commission's and Member States' climate-related spending with which to monitor compliance with climate finance commitments has not yet been established (see paragraphs 42 to 51) and the extent to which the FSF pledge has been fulfilled is unclear (see paragraphs 52 to 55). No attempt has been made to reduce the proliferation of climate funds, which involves serious risks of inefficiencies, inadequate accountability and fragmentation of aid (see paragraphs 56 to 64).

69. The Court makes the following recommendations:

RECOMMENDATION 1

The Commission should propose a roadmap to the Council for the scaling-up of climate finance towards the Copenhagen Accord 2020 target, including a definition of private finance.

RECOMMENDATION 2

To improve the transparency and accountability of the EU's climate finance, the Commission and the Member States should, in the framework of the Monitoring Mechanism Regulation, agree common standards for monitoring, reporting and verification, notably with respect to the definition of 'new and additional', the application of the Rio Markers and reporting on the disbursement of climate finance.

RECOMMENDATION 3

The Commission and the EEAS should report on the extent to which the EU target of spending 20 % of the EU budget and EDF between 2014 and 2020 on climate-related action is implemented in development aid, specifying what has been committed and disbursed.

RECOMMENDATION 4

The Commission should have an independent evaluation made of the Global Climate Change Alliance, including an examination of why most Member States did not choose to co-finance it.

RECOMMENDATION 5

The Commission and Member States should intensify their cooperation to implement the EU Code of Conduct on Division of Labour in the field of climate finance, notably with respect to the exchange of information on allocations by countries, joint programming and preventing and combating corruption in climate finance.

This report was adopted by Chamber III, headed by Mr Karel PINXTEN, Member of the Court of Auditors, in Luxembourg at its meeting of 10 December 2013.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

ANNEX I

LEAST DEVELOPED COUNTRIES, SMALL ISLAND DEVELOPING STATES AND AFRICA

[1] Only UN members.

Sources: http://www.un.org/special-rep/ohrlls/ohrlls/allcountries-regions.pdf and http://en.wikipedia.org/wiki/List_of_sovereign_states_and_dependent_territories_in_Africa

ANNEX II

EUROPEAID'S CLIMATE FINANCE 2003–12

The Commission funds climate finance in the context of external aid from the following main sources:

(a) the European Development Fund (EDF), which is the main development cooperation instrument with African, Caribbean and Pacific States (ACP) and overseas countries and territories;

(b) the Development Cooperation Instrument (DCI), covering Latin America, Asia and Central Asia, the Middle East and the Republic of South Africa, as well as thematic programmes;

(c) the European Neighbourhood Partnership Instrument (ENPI)[1] covering ENP countries[2] and Russia;

(d) humanitarian aid following natural disasters, such as flooding in Pakistan or the Indian Ocean tsunami.

Over the 2003–12 period, commitments made for climate finance under external aid managed by EuropeAid amounted to an estimated 4 650 million euro. A more detailed breakdown of this amount is provided in the ***tables*** below.

TABLE 1 — BREAKDOWN OF EUROPEAID'S CLIMATE FINANCE BY FUNDING INSTRUMENT FOR THE 2003–12 PERIOD

(million euro)

Years	DCI	ENPI	EDF	Total
2003	82	5	33	120
2004	247	27	26	300
2005	118	5	74	196
2006	147	20	94	261
2007	125	162	205	492
2008	283	63	56	402
2009	269	39	436	745
2010	267	163	245	675
2011	337	123	166	626
2012	341	258	234	833
Total	**2 216**	**864**	**1 570**	**4 650**

Note: Detail may not sum to totals because of rounding.

[1] From 2014 this will become the European Neighbourhood Instrument (ENI).

[2] Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territories, Syria, Tunisia and Ukraine.

TABLE 2 — BREAKDOWN OF EUROPEAID'S CLIMATE FINANCE BY GEOGRAPHICAL AREA

(million euro)

Year	Africa	Asia	Latin America	Caribbean	Eastern Europe and Russia	Mediterranean and Middle East	Oceania and Pacific	Multi region	Total
2003	22	22	31	17	5	-	4	19	120
2004	24	82	152	3	4	22	7	6	300
2005	88	41	27	1	5	-	15	20	196
2006	103	25	67	10	15	7	6	28	261
2007	118	18	14	62	101	86	19	74	492
2008	98	85	13	0	114	41	3	47	402
2009	117	55	45	32	1	48	27	419	745
2010	204	104	32	9	45	126	32	123	675
2011	186	101	28	28	72	47	4	160	626
2012	236	100	96	26	98	160	27	90	833
Total	**1 197**	**633**	**504**	**189**	**460**	**537**	**145**	**986**	**4 650**

TABLE 3 — ESTIMATED SPLIT BETWEEN ADAPTATION AND MITIGATION IN EUROPEAID'S CLIMATE FINANCE ALLOCATIONS FOR DEVELOPING COUNTRIES

(million euro)

Years	Adaptation		Mitigation		Total[1]
	Amount	%	Amount	%	Amount
2003	68	41 %	100	59 %	120
2004	205	41 %	289	59 %	300
2005	117	42 %	160	58 %	196
2006	117	33 %	233	67 %	261
2007	279	39 %	433	61 %	492
2008	103	21 %	388	79 %	402
2009	269	31 %	588	69 %	745
2010	424	54 %	366	46 %	675
2011	401	45 %	490	55 %	626
2012	621	50 %	618	50 %	833
Total	**2 603**	**42 %**	**3 664**	**58 %**	**4 650**

[1] Some interventions qualify for both mitigation and adaptation. For this reason, the total amount is not the sum of the two columns.

Note: Detail may not sum to totals because of rounding.
Source: EuropeAid's database.

TABLE 4 — WEIGHT OF LDCS, SIDS AND AFRICAN COUNTRIES IN EUROPEAID'S CLIMATE FINANCE ALLOCATIONS IN COUNTRY PROGRAMMES

(million euro)

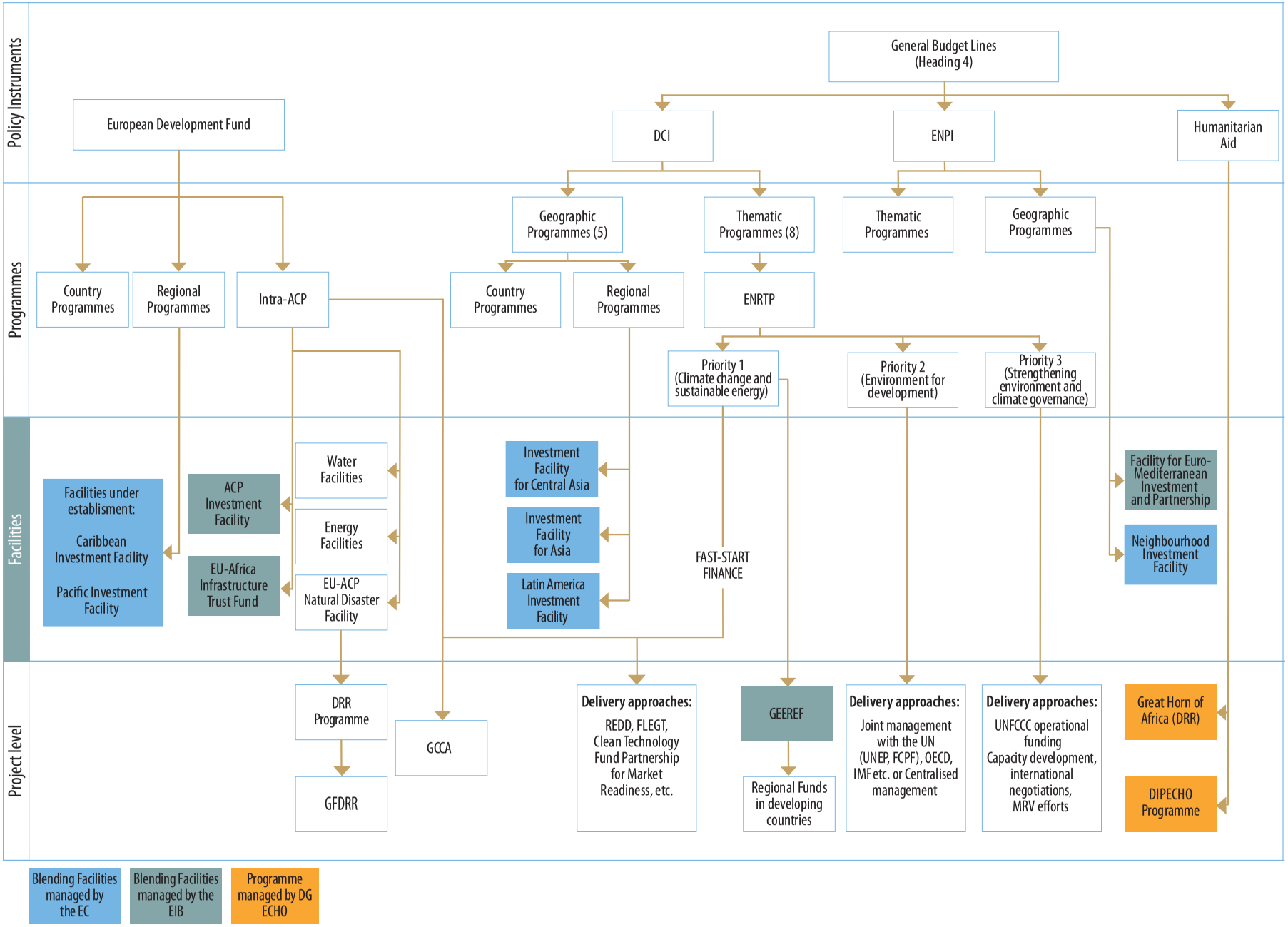
Years	Adaptation					Climate Finance				
	LDCs, SIDS, African countries		Other countries		**Total**	LDCs, SIDS, African countries		Other countries		**Total**[1]
	Amount	%	Amount	%	**Amount**	Amount	%	Amount	%	**Amount**
2003	15	38 %	24	62 %	**39**	24	32 %	51	68 %	**75**
2004	13	7 %	175	93 %	**188**	27	10 %	235	90 %	**262**
2005	50	78 %	14	22 %	**64**	64	71 %	26	29 %	**90**
2006	40	56 %	32	44 %	**72**	66	52 %	62	48 %	**128**
2007	69	67 %	34	33 %	**104**	160	65 %	87	35 %	**247**
2008	41	60 %	28	40 %	**69**	97	33 %	195	67 %	**291**
2009	93	93 %	6	7 %	**99**	179	87 %	26	13 %	**206**
2010	142	58 %	105	42 %	**248**	148	40 %	225	60 %	**373**
2011	87	67 %	42	33 %	**129**	127	57 %	94	43 %	**221**
2012	149	69 %	68	31 %	**217**	162	56 %	125	44 %	**287**
Total	**701**	**57 %**	**529**	**43 %**	**1 230**	**1 054**	**48 %**	**1 125**	**52 %**	**2 179**

[1] Some interventions qualify for both mitigation and adaptation. For this reason, the total amount is not the sum of the two columns.

Note: Detail may not sum to totals because of rounding.
Source: EuropeAid's database.

ANNEX III

2007–13 CLIMATE FINANCE FLOWS OF EU FUNDING FOR DEVELOPING COUNTRIES



ANNEX IV

AUDIT METHODOLOGY AND EVIDENCE COLLECTION

A schematic overview of the audit approach is included below.

PRELIMINARY STUDY

1. Prior to undertaking the audit, a preliminary study was conducted to identify the key risks related to the EU's climate finance. This exploratory work was based on desk research and interviews with staff involved in the main areas of climate finance to developing countries from the Commission, EEAS, NGOs and the Council Secretariat.

INTERVIEWS

2. The auditors conducted interviews with the managers of the administrative and/or financial units and country desk officers of 17 departments and with senior staff from six non-governmental organisations. The Commission's departments were selected for their specific responsibilities in the audit scope areas, while the NGOs were selected with the objective of obtaining external views from other parties involved in climate finance.

- **From the Commission:**

  Directorate-General for Development and Cooperation (DEVCO[1])
  Directorate C — Sustainable Growth and Development

  Directorate-General for Climate Action (CLIMA)
  Directorate A — International and Climate Strategy
  Directorate B — European and International Carbon Markets
  Directorate C — Mainstreaming Adaptation and Low Carbon Technology

  Directorate-General for Humanitarian Aid and Civil Protection (ECHO)
  Directorate A Unit 4 — Specific Thematic Policies
  Directorate B Unit 5 — Asia, Latin America, Caribbean, Pacific
  Directorate C Unit 2 — Budget, External Audit, Informatics

  Directorate-General for Economic and Financial Affairs (ECFIN)
  DG ECFIN Directorate D Unit 4 — Globalisation — Trade — Development

[1] Also known as 'EuropeAid'.

- **From the European External Action Service (EEAS):**

  Managing Directorate I — Horizontal Issues — Asia and the Pacific
  Managing Directorate I.B.1 — China, Hong Kong, Macao, Taiwan, Mongolia
  Managing Directorate V.A.4 — Mercosur countries
  Managing Directorate VI.B1 — Global Issues and Counter-Terrorism
  Managing Directorate Resources A — Finance and Corporate Support

- **From the European Investment Bank (EIB):**

  Projects Directorate — Environment, Climate and Social Office
  Directorate for Operations outside the European Union and Candidate Countries
  Directorate — Financial Control

- **From the Council Secretariat:**

  Directorate E, Unit 1B — Climate Change, Coordination and Horizontal Affairs

- **From non-governmental organisations (NGOs):**

  Oxfam International (Brussels) and Oxfam offices in Bangladesh and Uganda
  CAN Europe and CAN Tanzania (Tanzania Civil Society Forum on Climate Change and Climate Action Network)
  WWF (Brussels offices)
  Concern Worldwide (Bangladesh)
  Shushilan (Bangladesh)
  World Agroforestry Centre (Indonesia)

QUESTIONNAIRE

3. A written questionnaire was sent to four EU Member States to obtain information and their views.

ANNEX IV

SELECTION OF COUNTRIES AND REGIONS

4. A selection of 16 countries and two regions was made for desk review. The criteria for the selection were:

- Coordination: countries where enough donors exist to assess the division of labour among them;
- Level of climate finance: countries that have received substantial amounts in climate finance from the Commission since 2002;
- Development characteristics and vulnerability to climate change: countries in a variety of situations, such as LDCs, SIDS, the BRICS[2] and a country receiving substantial climate finance despite a relatively high Human Development Index (HDI) ranking;
- Geographical distribution: countries from different geographical zones: Africa, Asia and the Pacific, Latin America and the European neighbourhood.

5. The countries selected were Bangladesh, Bolivia, Brazil, Central African Republic, China, Ethiopia, Guyana, Indonesia, Mali, Morocco, Mauritius, Nicaragua, Tanzania, Uganda, Ukraine and Vanuatu.

6. East Africa and Asia were selected as the regions to be analysed as they received the highest levels of climate finance from the Commission.

SAMPLING

7. In order to test the application of the Rio Markers in compliance with the Commission's FSF commitment, a random sample of 10 (out of a total of 19) programmes were analysed.

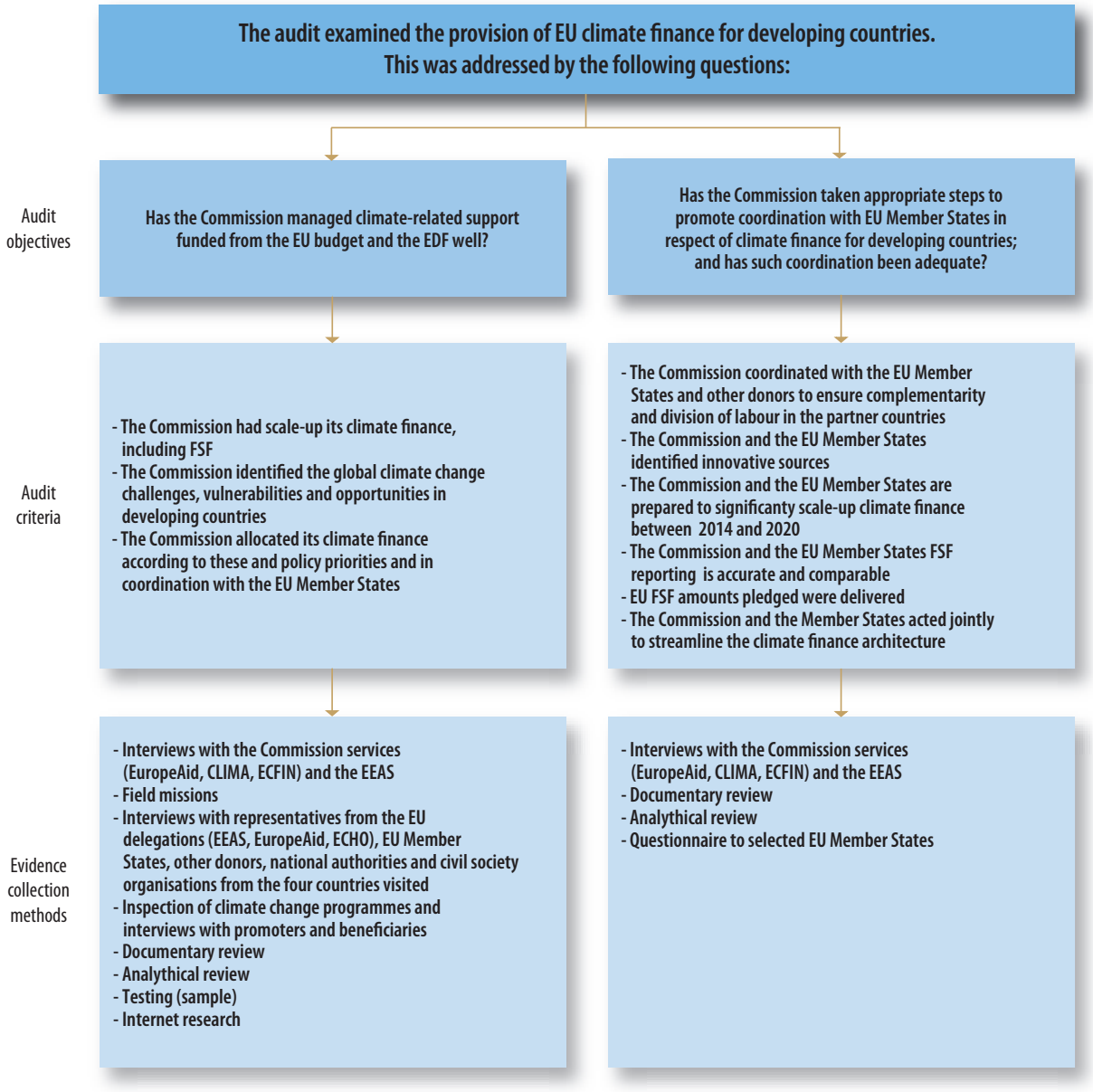
8. The Commission's choice of delivery channels was tested on the basis of a random sample of 20 climate-related programmes (including bilateral and multilateral delivery channels).

[2] Brasil, Russia, India, China, South Africa.

VISITS TO FOUR PARTNER COUNTRIES

9. Of the 16 countries, four (Bangladesh, Indonesia, Tanzania and Uganda) were selected for visits on the basis of high amounts of funding and different kinds of climate change impacts and needs.

10. During the visits, from 13 to 25 January 2013, the audit team interviewed EU delegation staff, representatives of the relevant national authorities, main development partners (EU and non-EU) and representatives of non-governmental organisations and civil society. Field visits were made to selected programmes.



ANNEX V

MAIN POTENTIAL SOURCES OF REVENUE IDENTIFIED BY THE COMMISSION FOR SCALING UP CLIMATE FINANCE

Source of income	Description	Progress	Estimated annual revenue
Auction revenue under the EU Emissions Trading System (ETS)	- EU ETS is one of the most advanced market-based schemes developed to date[1] and the largest easily quantifiable source, derived from carbon pricing. - EU ETS was launched in 2005 and since 1 January 2013 it entered in phase III, with auctions becoming the default method for distributing CO_2 allowances. - The idea is that, by 2020, almost 1 billion European Union allowances will be sold every year and generate income for Member States. - Revenue from the auction of aviation allowances has been included in the EU ETS since 1 January 2012 (see below).	The third phase of the ETS started on 1 January 2013. It is stipulated that Member States must allocate at least 50 % of revenues from the auctions of emissions to addressing climate change objectives, including in developing countries. According to the Commission's estimates, this source could generate 20 billion euro per year. However, a valid and reliable estimate is not possible given the recent nature of the initiative, the recent decline in carbon prices and the European Parliament's rejection of a Commission proposal to stabilise the price level. Further, as the use of this revenue depends on Member States, the share that would be allocated to long-term climate finance in developing countries is not known.	20 to 30 billion euro
Carbon pricing of international maritime and aviation transport	- Putting a price (tax) on international aviation and maritime emissions to efficiently achieve more emission reductions. - The idea is that pricing the negative impact of emissions allows for the correction of market failure and creates appropriate and cost-effective incentives for further abatement of these emissions.	Carbon penalties on flights were included in EU legislation in 2008[2] with effect from 2013. This triggered firm opposition from non-EU countries, such as the US and China, which challenged the legality of this action. In November 2012, following the International Civil Aviation Organisation's (ICAO) declaration of its intention to start working towards a common solution, the EU decided to postpone the enforcement of the EU ETS scheme for international air travel for 1 year while a comprehensive agreement under the auspices of the International Civil Aviation Organisation (ICAO) is sought. If no satisfactory progress is achieved on a global agreement, the EU would reintroduce the penalties. It will be for each Member State to determine how to use their revenue from the aviation scheme. Regarding carbon pricing in maritime transportation, the process has been slower. In June 2013 the Commission proposed measures to bring maritime transport emissions into the scope of the ETS from 2018 onwards, if possible under the umbrella of the International Maritime Organisation (IMO). No decision has been taken to date regarding the use of revenue from the maritime scheme. There is therefore no assurance as to the amounts that may be earmarked for climate finance for developing countries.	Up to 24 billion USD[3]
New Carbon Market Mechanism	- Reduction in greenhouse gases in order to offset emissions made elsewhere. - A carbon market is already in place and generates important financial flows to developing countries through the Clean Development Mechanism (CDM). - The idea is to provide a new and more ambitious carbon market mechanism based on explicit carbon pricing, thus providing a new source of public revenue especially in the economically more advanced developing countries and internationally competitive sectors.	In November 2012, the Commission published a study on the design options for the new carbon market mechanism agreed under the UNFCCC as a basis for the negotiations at the Doha conference (COP 18 in November 2012), as well as a discussion paper on scaling up results-based REDD+ finance.	n/a

[1] See studies from OECD (http://www.oecd.org/environment/cc/39725657.pdf) and NGOs (http://www.mcc-berlin.net/fileadmin/data/pdf/Publikationen/Tuerk_Sterk_Haites_Mehling_Flachsland_Kimura_Betz_Jotzo_2009_Linking_Emissions_Trading_Schemes.pdf).

[2] Directive 2008/101/EC of the European Parliament and of the Council of 19 November 2008 amending Directive 2003/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowance trading within the Community (OJ L 8, 13.1.2009, p. 3).

[3] Based on the Report of the UN Secretary-General's High-level Advisory Group on Climate Change Financing, 5 November 2010.

ANNEX V

Source of income	Description	Progress	Estimated annual revenue
Financial sector taxation	- Various options for the taxation of the financial sector are under consideration (e.g. transaction taxes with or without a focus on foreign exchange trading), and some are already being applied in certain Member States.	On 28 September 2011, the European Commission proposed a Council directive on a harmonised Financial Transaction Tax for the EU. The Council did not adopt the proposal, and on 22 January 2013 11 Member States asked the Commission to make a new proposal to levy share, bond and derivative trades under the 'enhanced cooperation' procedure. The new Commission proposal was presented on 14 February 2013. The levy is expected to generate 30 to 35 billion euro per year, but there is no indication whether any of the revenues raised under this tax would be directed towards addressing developing countries' needs[4].	30 to 35 billion euro
Further scaling up of private finance	- Leveraging private finance from developed countries to complement domestic private finance in developing countries. - A leverage effect could come from making the general business environment more attractive for domestic and international investment. - Interest rate subsidies could also help to improve the risk–return profile of investments. - Public–private partnerships to spread the costs and risks of financing. - Provision of guarantees to support the issuance of debt for climate projects. - Technical assistance to provide the project information and preparation needed to attract the interest of private investors.	There is currently no internationally agreed approach to monitoring and accounting for the net benefits of international financial flows from the private sector to climate actions in developing countries. In May and November 2012 the Council asked the Commission and Member States to reach a common understanding on the definition of private climate finance. According to EPC/EFC staff, a sub-group of the climate working group (Working Party on International Environment Issues) has volunteered to look at the concept of 'private finance', but they are still at a very early stage. Consequently there is not yet any estimate of the potential revenue from this source and the share that could be allocated to climate finance for developing countries.	n/a
Access to climate finance through multilateral and other development banks	- The catalyst for channelling funds from public and private sources to important investment projects. - Multilateral and other development banks include the European Investment Bank (EIB) and larger bilateral financial institutions (BFIs), such as the French Agence Française de Développement (AFD), the German Kreditanstalt für Wiederaufbau (KfW) and the Nordic Environment Finance Corporation (NEFCO).	The Commission and EU Member States have set up seven EU regional investment facilities[5] covering all countries in the EU's area of external cooperation and all sectors of activity. The aim is to combine ('blend') grants from the EU budget, EDF and Member States' contributions with additional non-grant resources (equity funds, guarantees, loans, etc.), mostly from the EIB and other development banks. In November 2010, the Commission announced the creation of Climate Change Windows (CCWs) within the seven EU regional investment facilities, with the aim of boosting developing countries' programmes to adapt to the effects of climate change and invest in a low carbon future[6]. There are no objectives or references to targets for scaling up climate finance to developing countries in respect of the investment facilities managed by the EIB. Moreover, it is still too early to establish a trend in climate financing within investment facilities, as the CCWs were only created at the end of 2010 and a number of investment facilities were launched very recently.	n/a

[4] http://ec.europa.eu/taxation_customs/taxation/other_taxes/financial_sector/

[5] EU–Africa Infrastructure Trust Fund (ITF) in 2007; Neighbourhood Investment Facility (NIF) in 2008; Western Balkans Investment Framework (WBIF) in 2010; Latin America Investment Facility (LAIF) in 2010; Investment Facility for Central Asia (IFCA) in 2010; Caribbean Investment Facility (CIF) in 2012; Asian Investment Facility (AIF) in 2012; Investment Facility for the Pacific (IFP) in 2012.

[6] See Commission press release of 29.11.2010. (http://europa.eu/rapid/press-release_IP-10-1621_en.htm), which states: 'This initiative will also increase the reporting and transparency of EU climate finance'.

Source: SEC(2011) 487 final and SEC(2010) 409 final.

ANNEX VI

DEFINITIONS USED FOR 'NEW AND ADDITIONAL' BY THE COMMISSION AND FOUR EU MEMBER STATES SELECTED FOR THE AUDIT

	Definition used for FSF reporting
European Commission	- new: comes on top of already agreed support for climate-relevant actions (1,2,4) - additional: comes from the unallocated margin under the ceiling for external EU budget expenditure and, therefore, does not reduce or replace any other programmed development financing (additional to funding originally programmed for development cooperation and climate actions in 2010–12) (1,4)
Germany	- new: funding from innovative sources of financing (e.g. auctioning emissions allowances in the EU Emissions Trading System (ETS)) (1) - additional: funding which is additional to climate-related funding compared with reference year 2009 (1,2,4)
France	- integration of development and climate change financing, no specification of target levels or additionality (4) - part of the increased commitment to climate finance in France; partly counts towards the national ODA (2,4)
Italy	- No precise information given (a combination of several definitions, e.g. additional to climate-related funding in a specific reference year and/or to the average annual climate-related funding over a specific reference period) (1,4)
United Kingdom	- The commitment is drawn from the UK's rising ODA budget, planned to reach 0,7 % of gross national income by 2013 (1,4)

Sources:

(1) EU Member States questionnaire for the 2011 Accountability Report (http://ec.europa.eu/europeaid/how/accountability/eu-annual-accountability-reports/country_answers_en.htm).

(2) Report 'Has the EU kept its Fast-start Climate Finance promises?', May 2010, CAN Europe and others.

(3) Information from the website launched by the Netherlands Minister for the Environment and Spatial Planning (www.faststartfinance.org/home).

(4) European Parliament study by the Directorate-General for External Policies — Briefing on Climate Change Financing: The concept of additionality in the light of the Commission proposal for a development cooperation instrument (DCI) for 2014–20, June 2012.

THE REPLIES OF THE COMMISSION AND THE EEAS

EXECUTIVE SUMMARY

IV.
The Commission and Member States have submitted in September 2013 to the United Nations Framework Convention on Climate Change (UNFCCC) their views on the strategies and approaches for mobilising scaled-up climate finance, as a contribution to the commitments made by all developed countries for 2020. In the same context of the Economic Policy Committee Working Group on energy and climate change, the Commission has made several efforts to include a definition of private climate finance in the May and October Council conclusions.

From the point of view of the Commission, the FSF commitment was met within the parameters given in the relevant UNFCCC documents. We agree however that certain methodological concepts need further work and agreement at international as well as at EU level in order for the system to become more robust.

The Commission has made attempts to reduce the proliferation of climate funds, e.g. through playing an active role in the initial work to set up the Green Climate Fund and has jointly with Member States backed the position that this should become the main financing delivery channel under the Convention.

V.
The Commission and the EEAS agree and will take initiatives to improve coordination as outlined below.

VI. (a) — First indent
The Commission agrees to initiate a discussion with Member States on the launch of a roadmap, but the final decision will depend on the Member States.

VI. (a) — Second indent
The Commission agrees: An independent evaluation of the Global Climate Change Alliance is planned to start in December 2013.

THE REPLIES OF THE COMMISSION AND THE EEAS

VI. (b)
The Commission and the EEAS agree with the recommendation. A basic system is already in place for reporting on commitments against the 20 % target.

Further, the Commission will include data on climate relevant commitment in the Annual Reports.

VI. (c) First indent
The Commission agrees with this recommendation and will work with Member States towards agreeing on a common EU standard for Monitoring, Reporting and Verification (MRV) of public climate finance in time for the 2014 Monitoring Mechanism Regulation reporting.

Furthermore, the Commission will work jointly with Member States to implement recent decisions of the UNFCCC COP 19 (November 2013) on climate finance reporting as well as in the context of OECD DAC.

VI. (c) Second indent
The Commission agrees. The Commission will seek to put EU-level exchange of information on support and strengthened coordination on the agendas of the Expert Group on means of Implementation and the Green Diplomacy network.

The Commission will also propose to launch the debate in the Expert group on Multilateral Environment Agreements, subgroup climate change.

OBSERVATIONS

29.
The Commission and EEAS agree that the coordination of aid allocations at the global level is weak. The Commission and EEAS will seek to improve EU level coordination of climate finance in relevant expert groups to increase complementarity of efforts.

30.
The Commission and the EEAS agree that by end 2011, the EU had not made as much progress in joint programming as hoped. Since then, a commitment to Joint Programming has been made in some 40 countries.

32.
The Commission clarifies that, while coordination can certainly be improved, there have been initiatives in Indonesia such as bi-monthly EU coordination meetings on climate change, so there has in fact been a lot of efforts put into coordination.

Box 1
The initial proposed solution (funded by UK and OXFAM) already under implementation was insufficient to cover the entire demand of potable water in Bainpara and surroundings, a circumstance that pushed all stakeholders, including final beneficiaries, government and donor agencies, to find a broader solution (co-funded by the EU). After this experience, the stakeholder's coordination has been definitely enhanced.

33. (a)
From mid-2015, EU aid will synchronise with Bangladesh 7th Five Year Plan 2015–20 and the EU is committed to launch joint programming in selected areas with interested EU+ Member States. This will require a review of the MIP 2014–20 for the remaining 5 years, including possible amendments.

THE REPLIES OF THE COMMISSION AND THE EEAS

34.
The Commission and the EEAS underline that it is the number of donors — rather than competition between them — which makes coordination difficult, besides the primary challenge which is the lack of government-led coordination.

35.
Precisely for this reason most climate financing in Bangladesh is handled separately (i.e. either through donor-managed projects or through World Bank-managed trust funds, see below).

37.
In Indonesia, there is a concerted effort by development partners on anti-corruption issues through the PNPM Support Facility (PSF), a multidonor trust fund administered by the World Bank.

39.
The Commission supports governments to address the issue of prioritisation and coordination e.g. through the Global Climate Change Alliance (GCCA). Examples of countries where the GCCA supports the set-up of government coordination mechanism are: Nepal, Cambodia, Guyana, Seychelles and Solomon Islands, Bhutan, Chad, Lesotho, Gambia.

41.
ECOFIN Council Conclusions of 15.10.2013 state 'that the EU and its Member States have committed to scaling up the mobilisation of climate finance in the context of meaningful mitigation actions and transparency of implementation, in order to contribute their share of the developed countries' goal to jointly mobilise USD 100 billion per year by 2020 from a wide variety of sources …'. The Commission is already developing an EU vision on scaling up of climate finance by 2020. EU and Member States have submitted to UNFCCC in September 2013 their views on strategies and approaches for mobilising scaled-up climate finance. The submission is available at: http://unfccc.int/files/documentation/submissions_from_parties/application/pdf/cop_suf_eu_02092013.pdf

41. (a)
As regards a definition for private climate finance, discussions took place in the context of the Economic Policy Committee and will be continued on the basis of the results of the UNFCCC Conference of Parties that took place between 11 and 22 November 2013 in Warsaw.

41. (b)
Each developed EU Member State has committed to scale up climate finance. Moreover, the USD 100 billion commitment concerns all developed countries in the world. The EU roadmap is hence neither a condition for the scaling up of climate finance by individual Member States nor can it be seen separately from the contributions by other developed countries.

A final decision on a roadmap will depend on Member States.

44.
There is a difference between 'promises' and 'commitments'. The Commission applies Rio markers to committed funds, meaning once the financial decision has been taken. This is therefore a guarantee that disbursement will follow. Furthermore, the Common Relex Information System (CRIS) allows the Commission also to provide disbursements if requested by the reporting framework.

49.
The Commission agrees that Member States use different approaches to quantify climate spending based on Rio markers. Efforts to analyse the different approaches in view of future harmonisation is ongoing within OECD DAC and EU.

54.
The aggregate number of 7,34 billion euro has been calculated by the Commission based on the annual aggregate figure as reported by each Member State, fully in line with the Commission's mandate in shared competences.

As the list of examples of interventions used by the Court was not supposed to be exhaustive, it can obviously not be reconciled to the total amount reported.

The list of examples of interventions is compiled by the Commission on the basis of Member States' data and provides a wealth of **examples of projects** as clearly indicated on the Commission website and in the title of the table.

THE REPLIES OF THE COMMISSION AND THE EEAS

55.
The FSF commitment was met within the parameters given in the relevant UNFCCC documents.

59.
The Commission has made attempts to reduce the proliferation of climate funds, e.g. through playing an active role in the initial work to set up the Green Climate Fund and has jointly with Member States backed the position that this should become the main financing delivery channel under the Convention. There is a regular expert dialogue and cooperation between Commission and Member States on climate finance in a number of permanent EU working groups.

61.
The Commission has integrated GCCA into its own programming. The interventions under the GCCA including support to the overall initiative are committed, approved and reported under the thematic programme for Environment and Sustainable Management of Natural Resources including Energy (ENRTP) and 10th European Development Fund.

Five EU Member States have co-financed the Commission-initiated GCCA. The GCCA has provided an effective channel for fast start finance delivery for a number of EU Member States (31 million euro from Ireland, 1,2 million euro from Cyprus and 0,8 million euro from Estonia).

In addition, the GCCA co-finances individual interventions with seven EU Member States.

62.
The Commission did maintain the GCCA for the following reasons:

1. In addition to providing financial support, the GCCA provides technical support and a platform for dialogue and exchange of experience.

2. The GCCA also serves as a catalyst to further integrate climate change into EU regular development aid. Its nature is thus different from other vertical funds.

3. The Green Climate Fund is not yet operational.

To address the administrative burden for developing countries the GCCA was adapted, e.g. by aligning GCCA programmes with national strategies and programmes and by focusing on climate change mainstreaming into national development processes.

THE REPLIES OF THE COMMISSION AND THE EEAS

CONCLUSIONS AND RECOMMENDATIONS

65.
The Commission and the EEAS agree and will take initiatives to improve coordination as outlined below.

67.
The Commission and the EEAS will further strengthen efforts to improve coordination on climate finance with Member States, in the context of existing expert groups (e.g. Economic Policy Committee (EPC), Expert Group on means of Implementation (EGI), Expert Group on Adaptation (EGA)).

68.
The Commission has made attempts to reduce the proliferation of climate funds, e.g. through playing an active role in the initial work to set-up the Green Climate Fund and has jointly with Member States backed the position that this should become the main financing delivery channel under the Convention.

Recommendation 1
The Commission agrees to initiate a discussion with Member States on the launch of a roadmap, but the final decision will depend on the Member States.

Recommendation 2
The Commission agrees with this recommendation and will work with Member States towards agreeing on a common EU standard for MRV of public climate finance in time for the 2014 Monitoring Mechanism Regulation reporting.

Furthermore, the Commission will work jointly with Member States to implement recent decisions of the UNFCCC COP 19 (November 2013) on climate finance reporting as well as in the context of OECD DAC.

Recommendation 3
The Commission and the EEAS agree with the recommendation. A basic system is already in place for reporting on commitments against the 20 % target. The Commission will within the coming 12 months conduct a review of the Rio marker system in view of identifying weaknesses and proposing actions for improving the application of the system.

Further, the Commission will include data on climate relevant commitments in the Annual Reports.

Recommendation 4
The Commission agrees with the recommendation. An independent evaluation of the Global Climate Change Alliance is planned to start in December 2013.

Recommendation 5
The Commission agrees with the recommendation and will seek to put EU level exchange of information on support and strengthened coordination on the agendas of the Expert Group on means of implementation (EGI) and the Green Diplomacy network.

The Commission will also propose to launch the debate in the Expert group on Multilateral Environment Agreements, subgroup climate change.

European Court of Auditors

Special Report No 17/2013
EU climate finance in the context of external aid

Luxembourg: Publications Office of the European Union

2014 — 48 pp. — 21 × 29.7 cm

ISBN 978-92-9241-589-1
doi:10.2865/17954

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QJ-AB-13-018-EN-C

CLIMATE CHANGE POSES A FUNDAMENTAL THREAT TO DEVELOPING COUNTRIES' ECONOMIC DEVELOPMENT AND THEIR ACHIEVEMENT OF THE MILLENNIUM DEVELOPMENT GOALS. THE EU AND ITS MEMBER STATES ARE AMONG THE LEADING PROVIDERS OF INTERNATIONAL CLIMATE FINANCE. THIS REPORT CONCLUDES THAT THE COMMISSION MANAGED CLIMATE-RELATED SUPPORT FUNDED FROM THE EU BUDGET AND THE EDF TO DEVELOPING COUNTRIES WELL. HOWEVER, CONSIDERABLE IMPROVEMENT IN THE COORDINATION BETWEEN THE COMMISSION AND EU MEMBER STATES IS NEEDED TO MAXIMISE THE IMPACT OF THE EU'S CLIMATE FINANCE: IMPROVING THE COMPLEMENTARITY OF PROGRAMMES; AGREEING HOW TO SCALE UP CLIMATE FINANCE BY 2020; STRENGTHENING MONITORING, VERIFICATION AND REPORTING SYSTEMS; AND REDUCING THE FRAGMENTATION OF CLIMATE FUNDS.

EUROPEAN COURT OF AUDITORS

ISBN 978-92-9241-589-1