



MONITORING THE RECEIPT OF INTERNATIONAL CLIMATE FINANCE BY DEVELOPING COUNTRIES

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EXECUTIVE SUMMARY

The 2010 Cancun Agreements and 2011 Durban Outcome call for developing countries to register, monitor, and report on support¹ received, and for developed countries to improve their reporting by using more complete climate finance reporting guidelines. Doing so will enable information on climate change finance from developed countries to be matched with information from developing countries. The lack of detailed guidance makes it difficult for developing countries to decide how to respond to calls to report climate finance received.

This paper explores the challenges faced by three Asian countries, that is, Indonesia, the Philippines, and Vietnam in monitoring finance for climate change. Challenges faced in the three focus countries can be grouped into five categories, and are summarized as follows:

Definitions and Criteria. Countries and donor institutions use a variety of definitions and criteria in identifying climate finance and distinguishing it from other development finance. For the three focus countries, no formal climate finance marker system or definitive guidance exists to help address this definitional issue.

Classifications and Indicators. Sector and activity type classifications also vary widely among donor and recipient institutions, and often do not lend themselves well to climate finance. For example, in the Philippines, there is no energy-specific classification in its current official development assistance (ODA) monitoring system.

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Financial Instruments. The type of financial instrument monitored can carry both political implications as well as technical challenges. From a political standpoint, many developing countries and NGOs hold that climate finance—especially adaptation finance—should be delivered primarily in the form of grants. From a technical standpoint, all three countries expressed challenges in monitoring grants, while their loan monitoring systems are fairly developed.

Source. Private finance could potentially play a very important role in international climate finance and its monitoring may be something developing countries could explore for domestic purposes. However, domestic private finance monitoring efforts in the focus countries are often not coordinated with ODA monitoring efforts, nor do they include climate-specific information.

Institutional Arrangements. In the three focus countries, institutional responsibility for the coordination of national climate finance and development of monitoring systems is generally fragmented. Institutional platforms and databases for gathering data on climate finance in particular do not exist. Countries have two options, that is to either modify existing systems or to develop stand-alone/complementary standardized climate data systems for climate finance.

Despite significant challenges in building their capacity to monitor the receipt of climate change finance, government officials consulted in all three countries expressed an interest in doing so. Such efforts would require several steps, including, for example:

- Developing the institutional arrangements and technical platforms necessary to monitor climate finance received. This may include the formation of an inter-ministerial working group on climate finance with an agenda item dedicated to monitoring climate finance, and a complementary (stand-alone) management information system.
- Agreeing on and adopting climate finance-specific definitions, criteria, and classifications.
- Agreeing on the scope of information to be tracked (type of financial instrument, private versus public, etc.).

Such efforts should be complemented and furthered by support at the international level, both in the form of consistent yet flexible guidance that takes into account the domestic challenges outlined in this paper, as well as financial and capacity building support from developed countries.

INTRODUCTION

In 2009 at a meeting of the Conference of the Parties to the United Nations Framework Convention on Climate Change, developed countries pledged to increase financial support to developing countries to US\$100 billion by 2020. Consequently, monitoring how well developed countries are doing in meeting their pledge has become an important issue under the Convention. As of this date, both developed and developing countries face important challenges. Developed countries have yet to agree on, and report using, a standard format; as a result their reports vary in detail, completeness and timeliness. Developing countries do not have the means to check information from developed countries because they generally lack the capacity (institutional arrangements, procedures and systems) to register, monitor and report on finance received.

Sound information on climate finance received can yield several benefits both within the developing country and internationally. It can contribute to a comprehensive picture of climate financial flows at the international level, and allow for the cross-checking of information reported by developed countries, thus promoting transparency and avoiding double counting of carbon market finance. In addition, developing countries will be better prepared to report on the receipt of climate finance in their December 2014 Biennial Update Reports, as they are requested by the Conference of the Parties at its seventeenth session (COP-17) (UNFCCC 2011). Climate change finance information can also help parties to draw lessons from the variety of financial instruments used, from grants to loans to export credit, and to develop policies that aim to expand finance for climate change. In addition, better financial data are also necessary for decision makers in developing countries as they seek to develop, coordinate, manage, and fundraise for national climate change-related activities across multiple institutions. Finally, better monitoring of finance can build confidence among developed country partners that their funds are being used effectively and efficiently at a time when budgets are tight. This might lead to continuing and/or expanded financial support in the future.

Objective and Structure of the Paper

Building the capacity of developing countries to monitor climate finance received will ultimately require the modification, development, and adoption of tools, methods, and processes. This paper attempts to take an initial step by, first, exploring how international finance, including official development assistance (ODA), for climate change is currently monitored in a few developing countries: Indonesia, the Philippines, and Vietnam. Second, it attempts to understand some of the capacity gaps and potential areas for future development in monitoring climate finance. Finally, the process used to gather information aims to develop insights about what can be done to improve the monitoring of climate finance. This paper is based on a relatively small sample of information from a few countries. Additional consultations with other countries are needed before authoritative recommendations can be put forth.

Scope

Developing countries receive international public financing for climate change in the form of soft loans, grants, carbon credits, and debt-for-nature swaps as well as through investments from the private sector in the form of equity investments, project investments, and carbon finance. Developing countries also generate climate finance domestically from tax revenue through the national budget, as well as domestic private investors. This paper focuses primarily on international public financing for climate change, but obtaining a comprehensive picture of both international and domestic, and public and private sources should be an ultimate goal of governments if they are to develop a comprehensive strategy for climate change.

While the ultimate purpose of climate finance is captured through evaluating the results of climate programs—methods for which have been explored in other publications by the World Resources Institute (see Spearman and McGray 2011)—this paper specifically focuses on the monitoring of the receipt of the finance alone, regardless of its ultimate use.

Building the monitoring capacity of developing countries is a task that they cannot take on alone. This is recognized in international climate agreements through the concept of common but differentiated responsibilities (CBDR). Developed countries are obligated both under the United Nations Framework Convention on Climate Change (UNFCCC) and the 2011 Cancun Agreements to provide support for developing countries' international reporting efforts and to increase the transparency of international

climate finance in their capacity as donors. Estimating the scale of the support needed is beyond the scope of this paper however. This paper is an initial exploration of the challenges and needs and can provide a foundation for later efforts to quantify the scale of support needed.

Methodology

This paper was informed by a scoping workshop jointly hosted by World Resources Institute (WRI) and the United Nations Environment Programme (UNEP) in Jakarta, Indonesia in March 2012. The workshop brought together representatives from finance and climate-related government entities from Indonesia and the Philippines² to exchange views and identify strengths and needs relating to monitoring the receipt of climate finance. WRI obtained additional information via a questionnaire from government representatives in the Philippines and Vietnam who were unable to attend the workshop. This paper was further informed by desk research and a literature review conducted by the authors.

EXAMPLES OF NATIONAL FINANCE MONITORING SYSTEMS

Indonesia

Needs and Sources

The Government of Indonesia (GOI) took a bold step in 2009 when it announced that it would aim to reduce greenhouse gas (GHG) emissions by 26 percent below business as usual by 2020 with their own resources. It committed to increase this reduction to 41 percent with international finance support. These goals were captured by domestic law in Indonesia's National Action Plan to Reduce Greenhouse Gas Emissions (RAN-GRK). To achieve these goals Indonesia needs new and additional finance from both domestic and international sources. Based on the Indonesia Mid-term Development Plan (RPJM) 2010–2014 (GOI 2010), the estimated resource envelop for emission reduction efforts is about IDR 37.8 trillion (US\$3.7 billion³). Another study by the Indonesian National Council on Climate Change (DNPI) in 2009 gives a higher figure of IDR 83 trillion (US\$81.3 billion) to achieve 26 percent and IDR 168 trillion (US\$164 billion) to achieve a 41 percent reduction in greenhouse gas (GHG) emissions (National Council on Climate Change 2009.) The latter figure translates into an average annual cost to reduce emissions in all sectors of approximately US\$16.8

billion. No estimates have yet been made of the government's financing needs for adaptation (Prasetyantoko 2011).

Indonesia receives international project loans and grants from government institutions in Australia, Canada, Finland, Germany, France, Japan, Netherlands, Norway, UK, and the US, from multilateral institutions (World Bank and Asian Development Bank) and from bi-lateral institutions (KfW). Development Policy loans for climate change have been provided by the World Bank, Japan, and France.⁴ One compilation provides a rough estimate—US\$4.4 billion over several years—of finance provided to the GOI by donor based on varying timeframes (see Annex A) (Brown and Peskett 2011).

Institutions

There are four institutions within the GOI directly involved with tracking development finance and reporting finance to the UNFCCC. The Ministry for National Development Planning (Bappenas) has two main directorates, the Bilateral and Foreign Funding and the Multilateral Funding directorates, which aim to ensure coherence with national plans. Bappenas carries out procedural and planning tasks related to climate change finance. The Ministry of Finance (MOF) has two divisions, the Division of Debt Management (involved in tracking) and the Fiscal Policy Office (involved in setting policies). The Ministry of Environment (MOE) is the main ministry charged with preparing national communications for the UNFCCC, which include information on finance needs and finance received. The MOE is therefore a customer for information on finance provided by the MOF and BAPPENAS.

The overall process of climate policy coordination is the responsibility of the National Climate Change Council (DNPI), which has a Finance working group (WG) that meets on an ad hoc basis. The Finance WG of DNPI has five main responsibilities:

- a. Promote the development of financial mechanisms and instruments for climate change adaptation and mitigation;
- b. Promote the development of innovative policies related to finance and banking to support the low carbon development financing in Indonesia;
- c. Initiate exploration, mobilization and development of financing sources to support adaptation, mitigation, and technology transfer activities;
- d. Initiate the establishment of market-based financing mechanism and promote the role of the private sector to develop carbon trade and low carbon development activities;
- e. Coordinate the formulation of Indonesia's position on climate change finance for the process of international negotiation based on inputs and views from key stakeholders.

Government Regulation No. 10, 2011, on Procurement of External Loans and Receipt of Grants provides a mandate to the Ministry of Finance and stipulates that:

- Organizations receiving external loans or grants are required to give the copy of loan/grant agreement to the Minister of Finance, Supreme Audit Office, and other related government institutions.
- All external loans and grants must be registered by the Ministry of Finance. The Ministry of Finance is to issue a decree on the detailed regulations regarding administration of external loans and grants.
- Government agencies or corporations receiving external loans and/or grants shall provide quarterly reports to the Minister of Finance and Minister of Planning (Bappenas).
- The Ministry of Finance should conduct quarterly evaluations and report on the realization and absorption of external loans and/or grants.
- Bappenas is to conduct quarterly evaluations and to report on the performance of activities financed by external loans and/or grants.
- The Ministry of Finance is to publish information on external loans and grants periodically at least once every six months.

In addition to these ministerial level institutions, the GOI launched the Indonesian Climate Change Trust Fund (ICCTF) in 2009 to pool and coordinate finance for projects from development partners.

The Indonesian partnership with Norway to address Reducing Emissions from Deforestation and Forest Degradation (REDD+) stands as a special situation because of its “results based payment system” and more generally because of its size; approximately US\$1 billion.⁵ A REDD+ task force has been set up under the UKP4 to develop a national strategy, funding instrument, a REDD+ agency and MRV arrangements. Efforts are currently underway to design a special facility or trust fund to receive and disburse this REDD+ specific finance.

Procedures

The domestic budget process of the GOI (shown in Annex B, Figure 1) begins with a statement of the President’s vision, which is subsequently transformed into both national and regional long-term, mid-term, and short-term plans. These plans serve as guidance for budget allocations at the national, regional, and local government levels.⁶ The current 5-year plan contains 11 main priority areas, with three of those relating directly to climate change, namely food security, energy and environment, disaster management (including climate change), and climate investment and climate business.⁷

The process for administering foreign assistance (shown in Annex B, Figure 2), starts with a letter of agreement between the donor agency and the government. The process then moves forward along two tracks: one within the Ministry of Finance which registers the project and sets up an account for tracking purposes and a second track within the relevant ministries which prepare a work plan for subsequent approval by the MOF and BAPPENAS to ensure compatibility with national plans.⁸ The usual process then proceeds with implementation, monitoring, reporting, evaluation, and auditing. The MOF accounting system (software) does not include an indicator to identify climate change projects; rather it identifies items such as travel and person hours. The BAPPENAS has developed, with support from GIZ, an aid information management system (AIMS) for tracking development assistance, but this system also does not contain a climate change marker.⁹ There is no annual assessment or portfolio review of ODA supported projects, projects intended to address the 11 priority areas or specific directives such as the RAN GRK for climate change mitigation. However, the OECD with the support of UNDP did undertake a survey of donor assistance in 2008 and 2011 to monitor the implementation of the Paris Declaration on Aid Effectiveness. The survey assessed Indonesia and other developing countries’ capacity to govern and effectively manage ODA

against a variety of indicators based on the Paris Declaration targets, including alignment with national priorities, use of common arrangements/procedures, result-orientation, and mutual accountability.¹⁰ While the survey provides some insights into the systems for managing and monitoring ODA in Indonesia, it does not assess climate finance in particular, nor does it directly help to build the capacity of Indonesia to track ODA. In a less formal tracking effort, in recent years, BAPPENAS has hosted meetings of a ‘climate change policy forum’ to provide an opportunity for the developed country partners and government officials to exchange information on climate related policy initiatives and implementation.

An idealized map of some of the main elements of climate change finance is provided in Annex B, Figure 3. Missing from this map are other ministries such as the Ministry of Energy, the Ministry of Industry, or the Ministry of Agriculture, which play important roles in climate change policy and implementing projects.¹¹ However, the map does show the relationship between key donors and mechanisms within the GOI, such as the Indonesian Climate Change Trust Fund (ICCTF), for receiving finance and supporting projects.

The Philippines

Needs and Sources

Research quantifying climate finance needs in the Philippines is scant to date. In a 2010 report to the UNFCCC, the Government of the Philippines indicated that it had a baseline scenario for only the electricity sector that projected that total primary energy supply will grow by more than 52 percent between 2007 and 2030 (UNFCCC 2010). The required investment in the electricity sector under this baseline scenario was estimated at about US\$28.74 billion. Under an alternative scenario, the share of renewable energy in electricity generation was projected to reach 35 percent of total primary energy supply, and energy self-sufficiency to reach 60 percent between 2009 and 2020. The investment required under this scenario is about US\$30.51 billion. Taking the difference between the required investments for the baseline scenario and the alternative scenario, the study estimates the incremental mitigation finance needs for the electricity sector in the range of US\$2 billion (Resources, Environment and Economics Center for Studies, Inc. 2010).

The National Economic and Development Authority (NEDA) estimated that all official development assistance (ODA) flows to the Philippines totaled roughly US\$12 billion in 2010, consisting of US\$10 billion in loans and US\$2.25 billion in grants (NEDA 2011). The Central Bank of the Philippines (BSP) estimated that Foreign Direct Investment (FDI) reached roughly US\$24 billion in the same year (Bangko Central Ng Pilipinas 2011). While comprehensive information on climate finance inflows to the Philippines is not available, the NEDA estimated that, in 2010, US\$1.04 billion in loans had components that deal with climate change mitigation, while US\$340 million were tagged as targeting adaptation to climate change (NEDA 2011). Grants are received from multilateral agencies like the World Bank, the Asian Development Bank, the United Nations and the European Community, bilateral or country partners, the GEF, foreign NGOs, and foreign and local private foundations (Resources, Environment and Economics Center for Studies, Inc. 2010).

Institutions

The Philippines has visibly stepped up its ambition on climate change, putting in place laws, strategies, and institutions to oversee and manage countrywide actions to reduce GHGs and adapt to a changing climate. It created the Climate Change Act of 2009, which established a framework strategy on climate change and created an executive oversight body—the Climate Change Commission. Since then, a 2010–2022 National Framework Strategy on Climate Change and associated Climate Change Action Plan has been developed. The Climate Change Act of 2009 also mandated the mainstreaming of climate change into government policy formulations, including the Medium-Term Philippines Development Plan (2011–2016), a task that has been entrusted to the NEDA.

On climate change finance in particular, a transitional climate finance working group has been tasked to coordinate activities, formulate policies, and advise the government in all matters relating to financing national mitigation and adaptation projects and programs. It is led by the Department of Finance (DOF), and comprised of high-level representatives from the DOF, the Department of Budget and Management (DBM), the NEDA, and the Climate Change Commission (CCC). It seeks to establish a sustainable operational and institutional framework for the management, blending, coordination, and accounting of climate finance for the Philippines. Current agenda items range from access to the UNFCCC’s Adaptation Fund, debt-for-nature swap arrangements, Climate Investment

Box 1 | Philippine ODA Sector Classifications

- Agriculture, Agrarian Reform and Natural Resources (including irrigation systems, flood protection, watershed conservation, forest management and environmental management)
- Governance and Institutions Development
- Industry, Trade and Tourism (including environmental technologies in industries, trade and investment)
- Infrastructure (including energy, power, electrification and transportation)
- Social Reform and Community Development (including nutrition and population and potable water supply)

Fund-related concerns, climate change-related issues in the Philippine Development Plan, the Working Group on Climate Change under the Philippine Development Forum, World Bank climate finance, and the National Climate Change Action Plan.

Procedures

ODA loans to the Philippines undergo an extensive approval process in which several government agencies are involved in order to ensure the feasibility of both the project and the loan (see Annex C). Key agencies involved include the NEDA, which coordinates the planning and programming of ODA, the DOF that negotiates and manages the loans, and the DBM that evaluates the budget implications and provides obligational authority. The NEDA in particular maintains an ODA Management Information System (MIS) to efficiently process and report ODA programming, implementation and M&E information. The MIS has different systems for monitoring loans and grants. In particular, the ODA project database, managed by NEDA’s Public Investment Staff (NEDA-PIS), monitors the development of proposed projects for ODA loan and/or grant financing, public-private partnership (PPP) and local funding.¹² The ODA project database includes information by sector and sub-sector, donor/facility, status of processing the project and status of the proposed financing for the project.

In addition, as mandated by the ODA Act of 1996, NEDA annually assesses ODA-funded projects and submits the resulting ODA portfolio review to Congress. It includes all active (signed and/or effective, including closed loans for the year) ODA-loan-funded programs and projects for the calendar year, and ODA grants implemented by the agencies. ODA loans are classified into five sectors (see Box 1). The report also includes financial data by donor and region, on status, on the extent to which outcomes are reached, as well as several other indicators. The most recent 2010 report also reported on the amount of climate-related loans based on the parameters set out in the 2010-2022 National Framework Strategy on Climate Change. The assessment was carried out based on climate change policy parameters outlined in the Philippine's 2010-2022 National Framework Strategy on Climate Change.¹³ The specific methodology for applying these markers, though, was not publicly available.

The BSP began collecting data on Foreign Direct Investment (FDI)—both into and out of the Philippines—in 2010 using the IMF's Coordinated Direct Investment Survey (CDIS). The CDIS collects harmonized data on the investment's position and flows (broken down into equity and debt) and by country of direct investor.

Vietnam

Needs and Sources

Vietnam has seen dramatic economic growth, which has led to rapid improvement in terms of human development and well being. It must continue to reduce poverty among large segments of its population, while reducing its vulnerability to climate change and competing with countries intent on developing, deploying, and exporting new technologies for the 21st century.

If sea levels were to rise by one meter over this century and no adaptation occurs, 40 percent of the Mekong Delta, 9 percent of the Red River Delta and over 20 percent of Ho Chi Minh City could be flooded. At the same time, emissions of CO₂ from the power sector are projected to increase as a result of the use of imported and domestic coal by nearly 3000 percent by 2030 to 293 M tons of CO₂ equivalent under a business as usual scenario. Only 5 percent of electricity is projected to come from renewables in 2025. The industry and transport sectors are projected to also grow substantially, but at a slightly lower rate (UNDP 2011).¹⁴ Vietnam is developing a Green Growth Strategy with the following tentative targets: to reduce

Table 1 | **Vietnam's Largest Bilateral and Multilateral Donors**

DONOR	ODA PLEDGED FOR 2011 (MILLION USD)
Top Bilateral Donors	
Japan	1760
South Korea	412
France	221
Germany	199
USA	142
Top Multilateral Donors	
World Bank	2601
Asian Development Bank	1500
Non-governmental organizations	270
United Nations	140
European Union	88

energy consumption per unit of GDP by 2.5-3 percent per year to 2020 and reduce GHG emissions by 2-3 percent per year from 2020 to 2030 (Ministry of Planning and Investment 2012). This includes reducing GHG emissions in the energy sector by 10-15 percent by 2020 relative to the 2010 level, a tremendous deviation from business as usual estimates.

While it does not have an estimate of the finance needed to address both adaptation and mitigation, Vietnam clearly will need substantial financing from both international and domestic sources for the foreseeable future. It may, however, face difficulties in attracting increasingly large donor finance as it emerges further into the ranks of middle income countries.

To put this in context, international donors pledged US\$7.9 billion for Vietnam for 2011, mainly for infrastructure, transportation, and climate change, including US\$3.3 billion from bilateral partners (US\$1.76 billion from Japan) and the remaining US\$4.6 billion from multilateral partners (Thu 2010). The growth has been rapid, with the annual total pledged rising from US\$3.7 billion in 2005 to US\$8 billion in 2009. The US\$7.9 billion ODA amount committed for 2011 brought the total ODA sum pledged for Vietnam since 1998 to over US\$64 billion.

Other countries that have contributed to Vietnam over the past decade include: Australia, Austria, Belgium Canada, Czech Republic, Sweden, Denmark, Finland, Italy, and the Netherlands. Financing for climate change is in the form of soft loans, grants, carbon credits, equity investments, and foreign direct investments. No specific estimates are available for climate change finance in 2011, but an indicative list of climate change related projects for previous years is presented in Annex D.

Institutions

Coordination between donors and the GOV at a senior level is undertaken by a Consultative Group (CG), which brings together participants from the Government of Vietnam, representatives of about 50 bilateral and multilateral donors to Vietnam, representatives of the Vietnam Business Forum and International NGOs. The Consultative Group's annual meetings provide a forum for discussions between the Government of Vietnam and its development partners on economic policy issues, strategies for reducing poverty, and ODA effectiveness. The Government delegation usually includes the Ministry of Planning and Investment, Ministry of Finance, and the State Bank of Vietnam. The Consultative Group is co-chaired by the Minister of Planning and Investment and the Country Director of the World Bank in Vietnam.

Beyond this, there are three ministries directly involved with climate change finance: the Ministry of Planning and Investment (MPI); the Ministry of Natural Resource and Environment (MONRE); and the Ministry of Finance (MOF). Other ministries such as the Ministry of Agriculture and Rural Development (MARD) and Infrastructure and Transport (MoIT) routinely receive funding from bilateral and multilateral sources.

The MPI is responsible for the development of plans and policies for the national economy, including domestic and foreign investments governed under the Law on Foreign Investment relating to joint ventures, business cooperation (contracts), and foreign-owned enterprises. It is also responsible for mainstreaming climate change policy with Vietnam's green growth strategy. According to government decree 131 on ODA management, MPI is the agency responsible for approving and/or allocating international finance received and monitoring official development assistance. While there is currently no climate financing regulation, MPI has recently established a climate financing task force to deal with climate financing regulation.

The MONRE has responsibility for developing a broad GHG emissions strategy, including the establishment and management of a monitoring and reporting system. MONRE is also responsible for reporting to the UNFCCC. The Ministry of Finance is responsible for managing the national budget, tax revenue, state assets, national financial reserves and the finances of state corporations. The Ministry manages the work of national accounting and overall budget coordination in Vietnam.

The Government of Vietnam does not have an investment strategy to promote cohesiveness around the inflows from bilateral and multilateral sources.

Procedures

The MOF keeps track of loans using a system for debt management (DMFAS). For debt services, the donors/lenders send payment advices to the MOF, so there is a record for loan disbursements. If the donors declare that a loan is for climate change, then it is recorded as climate change financing. However, there is no special coding system for climate finance. Figures for climate finance are taken manually from the debt management information system (DMFAS).

Grants are more difficult to track. If the grant is for climate change response, and in the form of budget support, a good record is available. However, if it is for project financing, record keeping is less accurate. MPI also does not maintain special databases for tracking climate finance. It does have a monitoring and evaluation mechanism for the National Target Programme (NTP). Though this only monitors the implementation of the program itself.

MONITORING CHALLENGES & OUTLOOK

A variety of different challenges to monitoring climate finance received were identified by the three focus countries. They included:

- Inconsistent definitions of climate finance and applicable criteria;
- inconsistent classifications and indicators to characterize the financial data (e.g., sector and activity codes);
- challenges to achieving a comprehensive coverage of financial instruments;
- limitations on the availability of private financial data; and
- insufficient institutional arrangements, including lack of clear roles and responsibilities, poor inter-institutional coordination, and an absence of technical processes and tools.

This section describes these capacity needs, as well as the outlook for addressing them.

Definitions & Criteria

Context. One major challenge inherent in all climate finance monitoring efforts, whether by a donor or a recipient, is the need to define climate finance in order to distinguish it from other forms of finance, such as development assistance. This is challenging because countries and donor institutions use a variety of definitions in identifying climate finance, with significant implications for questions regarding the quantity and characteristics of this finance (Fransen et al. 2012). A narrow definition of climate finance might include finance that supports discrete climate activities, but excludes activities in which climate considerations were mainstreamed into traditional development assistance through a ‘climate-proofing’ process. A broader definition might include some or all of the finance to support projects that include climate benefits in any development project.¹⁵ While the UNFCCC employs no definitions and criteria for climate finance, the OECD DAC has developed definitions and criteria in its climate change mitigation and adaptation Rio Markers. The World Bank’s climate co-benefits tracking system is a more recently developed system that takes a different approach from the OECD DAC to identify World Bank spending that benefits the climate.¹⁶ Both systems have limitations and complexities that affect their application.

Country Capacities. For all three countries studied in this paper, there are no formal climate finance marker systems, no definitive guidance, and no dedicated computer systems to track climate finance. However, as mentioned, NEDA applied a climate finance marker system using broad policy parameters outlined in the Philippine’s 2010-2022 National Framework Strategy on Climate Change.

Next Steps. In interviews, Vietnam in particular noted its urgent need for capacity building relating to definitions of climate finance, indicators for tracking finance, and other means to classify climate finance. In order to do so, the governments would need to decide on the level of detail for a marker system (for example, a continuum showing an increasing level of detail in classifications could look as follows: climate change → mitigation → energy → renewables → wind) that is both practical and meets their internal policy needs. Moreover, they would need to consider how to identify climate, and in particular, adaptation projects with respect to national development plans and programs and development assistance projects. As discussed above, this is a task that the international community, including the multilateral development banks and the UNFCCC, has yet to solve, though the ongoing discussions may provide countries with a foundation to build their own classification decisions on.

Classifications & Indicators

Context. Classifications and indicators, such as sector and activity type, vary widely among different entities tracking climate finance. For example, while each MDB has its own sector classification system, the OECD DAC requires its members to report using common and fairly detailed sector codes. The UNFCCC National Communication System, on the other hand, requires Annex I countries to report using nine general sectoral classifications, and, moreover, conflates one of its ‘sectors’ as an activity type (capacity building).

Country Capacities. In the Philippines in particular, the sectoral classifications for its ODA monitoring system (see Box 1) are not very conducive to climate finance. For example, there is no specific energy-related classification. In addition, they are fairly broad and overlapping. For example, potable water projects have been included both in the Agriculture, Agrarian Reform and Natural Resources classification, as well as the Social Reform and Community Development classification (NEDA 2010). Neither Vietnam nor Indonesia have database systems that identify finance with a climate change marker.

Next Steps. Where necessary, countries could develop or adapt climate-relevant classification and activities with sufficient detail as to generate information that can be used for domestic and possibly international purposes. The Philippines's NEDA has issued a recommendation for itself in its 2010 Portfolio Review of applying the OECD DAC evaluation criteria at appraisal, mid-term, completion, and post-evaluation. While this recommendation was meant for ODA more generally, doing so with climate change finance in mind could result in significant monitoring improvements.

Financial Instruments

Context. A variety of financial instruments are used to channel climate change finance: grants, loans, equity, loan guarantees, insurance, and debt-for-nature swaps. Currently under the UNFCCC, there is no consensus as to the scope of financial instruments that count as climate finance. Many developing countries and NGOs hold that climate finance—especially adaptation finance—should be delivered primarily in the form of grants in accordance with the letter and spirit of the Climate Convention. Developed countries, in contrast, have not committed to meet their fast-start pledges through grants alone. Indeed, while some countries such as Norway only count grants toward their fast-start finance, others, such as the France, Japan and the US also count loans, guarantees, and insurance (Stasio et al. 2011). Any new software to track climate change finance at the national level will need to accommodate a variety of instruments, if countries are to have a comprehensive picture in order to inform national policy making. What they report to the UNFCCC however, may be more limited in scope.

Country Capacities. From a political standpoint, in the Philippines in particular, there is a noted willingness of some agencies, and unwillingness of others to accept loans for adaptation (Polycarp 2010). This may be due to the prominent view in many developing countries that climate finance should be channeled not in the form of loans, “not as charity or aid but as compensation” (Tanada 2010). From a technical standpoint, some instruments are significantly more difficult to track than others. All three countries expressed challenges in monitoring grants, while their loan monitoring systems are fairly developed. In Vietnam and Indonesia, this is largely due to the need for loans and loan repayment plans to be approved and administered through central agencies such as the Ministry of Finance. In Indonesia, officials consulted pointed

to differing reasons, from the manner in which donors deliver grants, to limitations in domestic policies governing the process for receiving grants.

Next Steps. Countries would need to decide what financial instruments they want to encourage the use of and are able to monitor effectively. What they report internationally may differ from what they chose to monitor for domestic purposes.

Source

Context. Developed countries are supposed to report the policies they have implemented to leverage private finance in their national communications, but experience has shown that how they do this varies considerably. As with financial instruments, the role of private versus public sources in fulfilling developed countries' international climate financial commitments has not been defined. Developing countries have tended to view public sources as promoting reliability, predictability, and accountability, but some developed countries are counting private sources toward their fast-start pledges and have argued that the inclusion of private finance will broaden the level of finance to developing countries (Department of Economic Affairs India). While developing countries may want to ultimately monitor both public and private climate finance in order to inform better policymaking, what they report to the UNFCCC may be more limited in scope.

Country Capacities. In all three countries, substantive information on private finance is lacking. For example, in the Philippines, while the BSP tracks high-level information on FDI, aside from information on the financial instrument and the investor, no other information is collected.

Next Steps. Countries would need to decide if they want to monitor private climate finance received, and if so, which types (e.g., FDI, leveraged private finance, private carbon market finance, etc.) and when. A private climate finance monitoring system may require governments to reconsider the roles and responsibilities of different institutions (e.g., NEDA versus BSP in the case of the Philippines), as well as different procedures and potentially additional indicators. Tracking private finance may also be helpful in designing policies to encourage private investment in climate friendly technologies. Any new system that might initially be designed to focus on support from partners could be designed to have flexibility to include private sources in the future.

Institutional Arrangements

Context. Having effective institutional arrangements for monitoring climate finance received will be essential to ensuring clear roles and responsibilities, coordinating, and implementing technical processes (reporting formats, technical platforms for information sharing, and trainings).

Country Capacities.

- **Roles and Responsibilities:** A multitude of national-level institutions are involved in monitoring international climate finance. Various ministries (e.g., finance, environment, planning, budgetary), inter-departmental forums/councils on climate change and national climate finance institutions are often involved. Most of these institutional arrangements were set up for purposes other than to monitor and coordinate climate finance.
- **Inter-institutional Coordination:** Countries experience difficulty in acquiring data on climate finance, especially in the form of grants, received from the various recipients, from line ministries to state and provincial institutions, to NGOs and the private sector. Countries face particular challenges in monitoring finance received by the latter two. Effective coordination is hampered by the lack of climate specific finance data, which in turn precludes the development of national climate change finance strategies. While in some cases it may be unclear who has the mandate to coordinate national climate finance, including the development of monitoring systems, the more likely case is that there can be little to coordinate if information is lacking on the scope of climate change finance within countries. The Philippines' work group on climate finance and the work group under DNPI in Indonesia are charged with addressing this problem.
- **Technical Processes (formats, databases, and trainings):** In Indonesia in particular, the existing computer systems in the MOF and BAPPENAS would be difficult to modify to include climate change markers. The same appears to be the case for Vietnam. Hence new software would need to be developed to complement existing systems. On a different note, in the Philippines, NEDA has several different databases for monitoring ODA, yet none are publicly available.

Next Steps. Developing countries would need to promote institutional arrangements that avoid overburdening the current system while promoting efficiencies. This includes:

- assessing and as necessary revising existing procedures used to collect data from relevant ministries and perhaps non-governmental organizations;
- ensuring that the roles of the main climate finance coordination and management institution(s) are formally clarified;
- putting in place coordination mechanisms to ensure effective communication between the various relevant entities, including, for example, through an inter-ministerial working group on climate finance;
- adapting or developing technical processes (such as software and databases) for monitoring climate change. Countries have two options, that is to redesign existing systems which could be technically challenging, costly, time consuming and be met by bureaucratic resistance depending on the extent of the modifications needed¹⁷ or to develop (or possibly join together to develop) a stand-alone or complementary standardized climate data systems which would require new procedures and training, but which might be developed relatively more rapidly. Indonesia in particular in interviews indicated a willingness to cooperate on the development of a new software package.

International Reporting

Before addressing these capacities challenges, however, the governments ought to ask themselves to what extent they want to harmonize their domestic reporting system with international standards. Doing so would help to ensure consistency of data internationally.

Interest in reporting internationally could however be influenced by several concerns, including:

- the nature of international guidance,
- the capacity of domestic monitoring and reporting systems,
- the provision of resources and capacity building support by international donors and institutions,
- the usefulness of the information to developing countries, and
- the political willingness of governments to provide the requested information on finance received in the UNFCCC biennial reports, due in 2014.

CONCLUSION

Despite significant challenges in building their capacity to monitor the receipt of climate change finance, government officials consulted in all three countries displayed an interest in doing so, and would welcome efforts to develop consistent yet flexible guidance, procedures, and systems that would facilitate better tracking on their part.

The following conclusions on how to approach such efforts are preliminary and drawn from the limited initial dialog with Indonesia, the Philippines, and Vietnam.

1. The development of a comprehensive data set for climate change finance received requires the cooperation of all ministries receiving donor support and ideally the cooperation of provinces and local governments, NGOs, and the private sector. In the near-term it may be most practical to focus on government ministries at the national level, while ensuring flexibility to add complexity to a system later.
2. To facilitate monitoring of climate finance, countries may find it useful to consider the following:
 - a. The formation of an inter-ministerial working group on climate finance (if they have not done so already), which should consider what questions such a system should be designed to answer and to provide policy guidance related to its design and implementation.

- b. A review of national accounting procedures for monitoring donor assistance.
 - c. An annual compilation and assessment of climate finance received to ensure that it meets national goals and priorities.
 - d. The hosting of a dialog with donors to discuss the results of the annual review.
3. Ideally the tracking of climate change finance from donors should be integrated into existing domestic budget and development assistance systems in developing countries. Particularly, as there is a need to ensure reducing vulnerability and planning for a changing climate are embedded in development plans and activities, integration of climate finance with the domestic budget and development assistance is preferred. However, there is a competing interest in tracking climate finance, both for reporting to the UNFCCC and for domestic planning purposes. Given the diversity of national data systems, accomplishing both goals may be challenging to do without considerable bureaucratic resistance or significant expense. Thus, if a integrating climate monitoring system into existing monitoring systems proves overly burdensome, a complementary (stand-alone) management information system may be needed. Such a system will have to be easily modified to address changing national goals and to facilitate integrated planning. A tiered design could be explored, which allows countries to select different levels of detail about finance received and allow for flexibility while meeting the needs of countries.
4. If interest emerges among developing countries for such a system, an essential first step would be to reach agreement on the scope of information to be tracked (type of financial instrument, private versus public, etc.), as well as a minimum set of indicators to be tracked (climate change markers, instruments, sectoral and activity classifications).

Such efforts would need to be complemented and furthered by support at the international level, both in the form of guidance that takes into account these domestic challenges, as well as financial and capacity building support from developed countries.

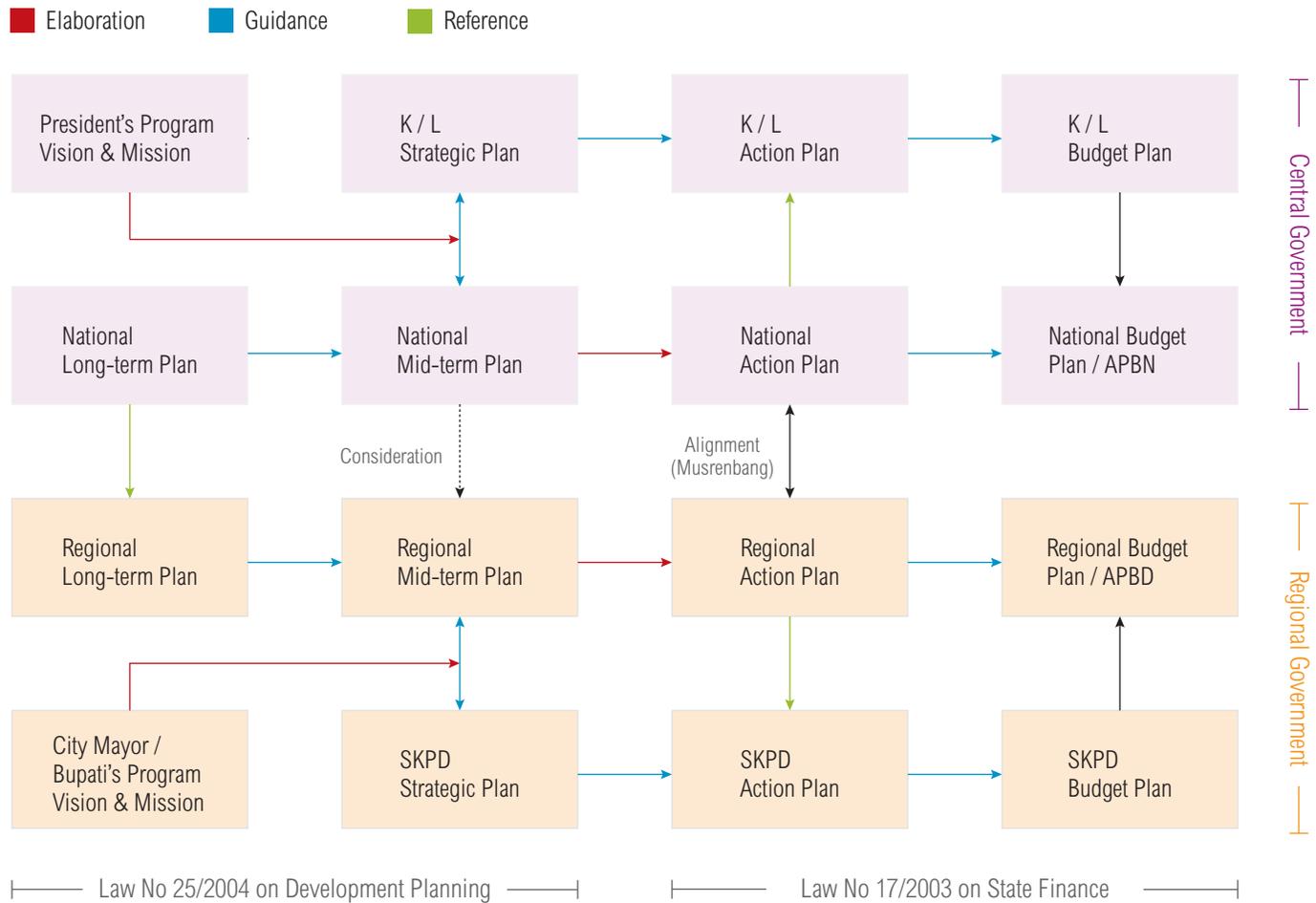
ANNEX A: SUMMARY OF CLIMATE FINANCE COMMITMENTS TO INDONESIA

SOURCE	AMOUNT (MILLION US \$)	LENGTH OF FUNDING	TYPE OF FINANCE
AFD	800	2008-2010	Soft loans
World Bank	400	2010-2012	IBRD loan
World Bank	400	Unknown	Soft loans
AusAID	2	2008-2012	Grants
AusAID/IFCI	75.9	2007-2012	Grants
JICA	1000	2008-2010	Soft loans
JICA	16.5	2009-2014	Mix grants and loans
USAID	136	2010-2012	Grants
Norway	1000	2010-2016	Grants
DFID	2.4	Unknown	Technical assistance
DFID	17.9	2010-2011	Grants
UN-REDD	5.6	2010	Grants
FCPF	3.6	2010-2012	Grants
FIP	80	2010-2012	Grants
Germany (KFW)	68	2010-2015	Grants
Germany (GTZ6)	10	2010-2015	Technical assistance
Germany (KFW)	332	2011-2017	Soft loans
Germany (KFW)	2	Unknown	Technical assistance
Germany (ICI)	15.35	2008-2011	Grants
GEF	4	Unknown	Grants
European Union	23.7	2007-2014	Grants
Total	\$4.4 bn		

Source: Brown and Peskett 2011.

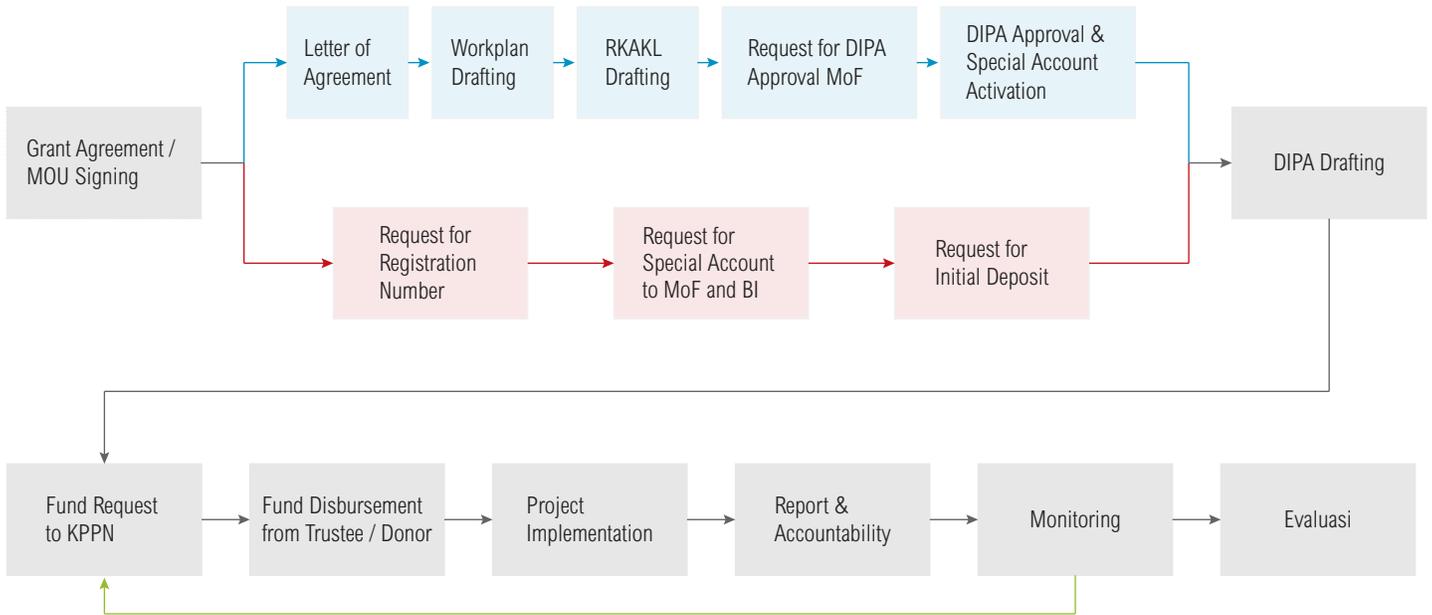
ANNEX B: FINANCIAL PROCEDURES IN INDONESIA

Figure 1 | **National Planning & Budgeting System**



Source: Hanik 2012.

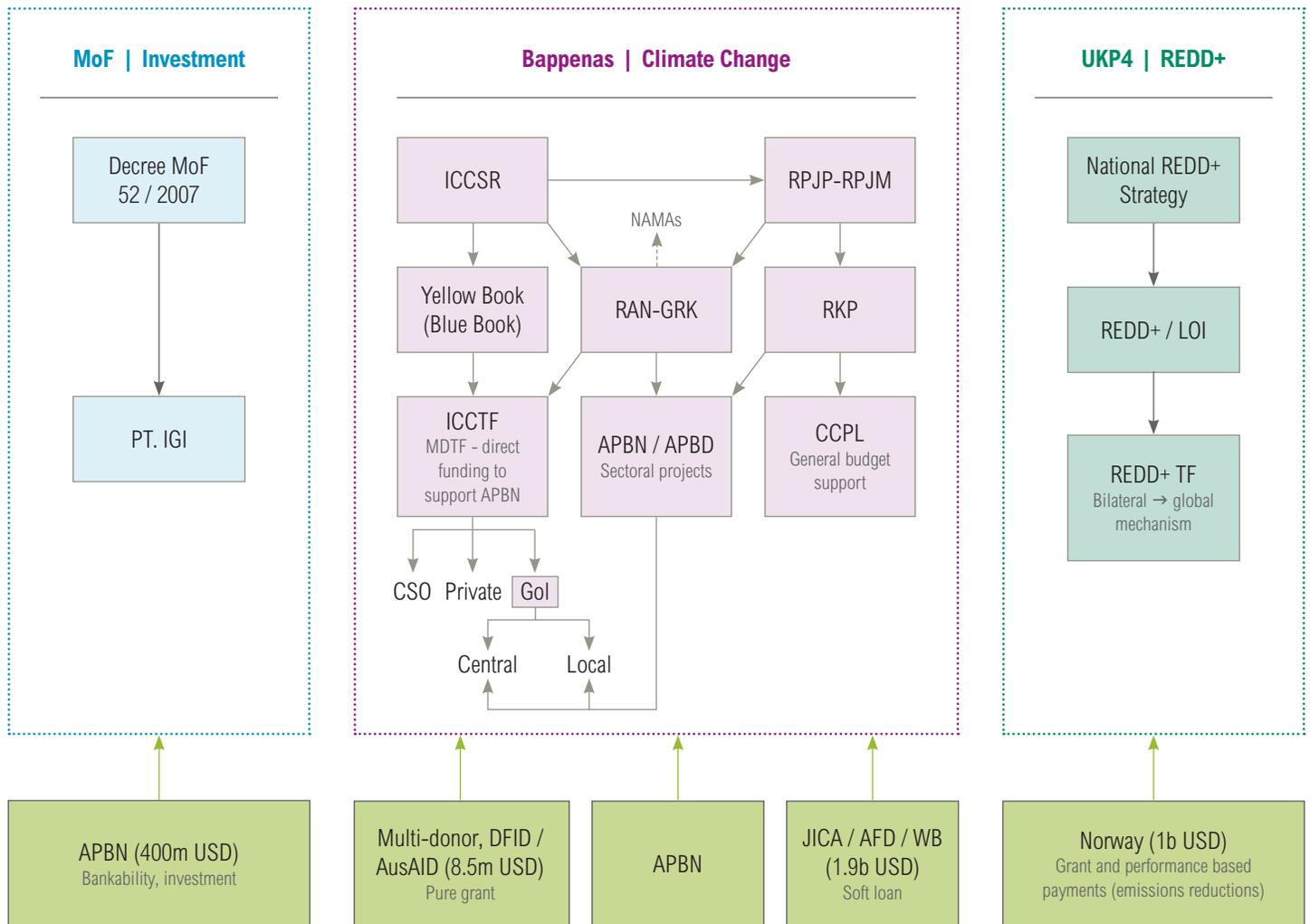
Figure 2 | **Project Administration Cycle**



Source: Hanik 2012.

ANNEX B: FINANCIAL PROCEDURES IN INDONESIA (CONT.)

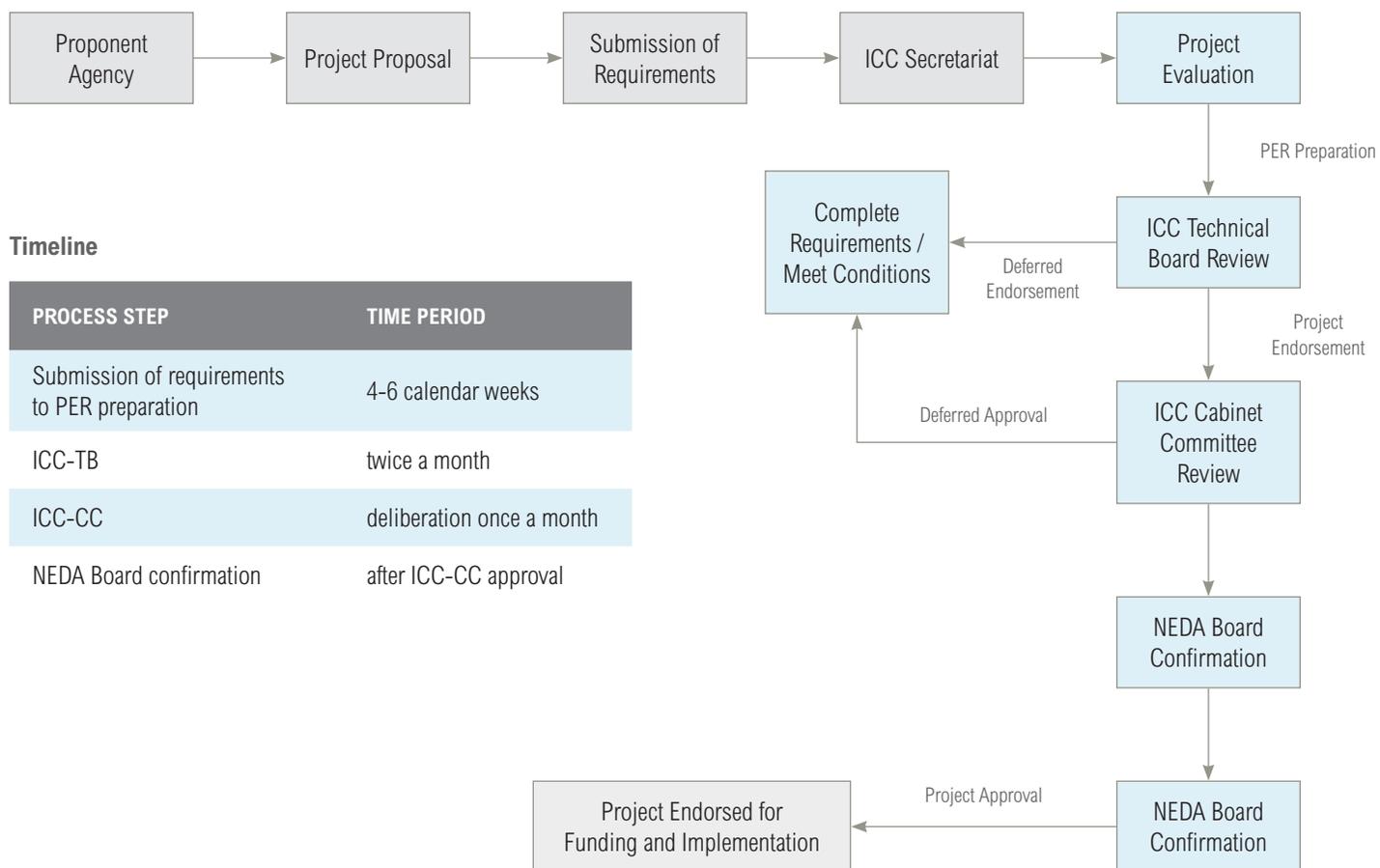
Figure 3 | Mapping of Climate Change Finance in Indonesia



Source: Thiamin 2011.

ANNEX C: PHILIPPINE LOAN PROCESS

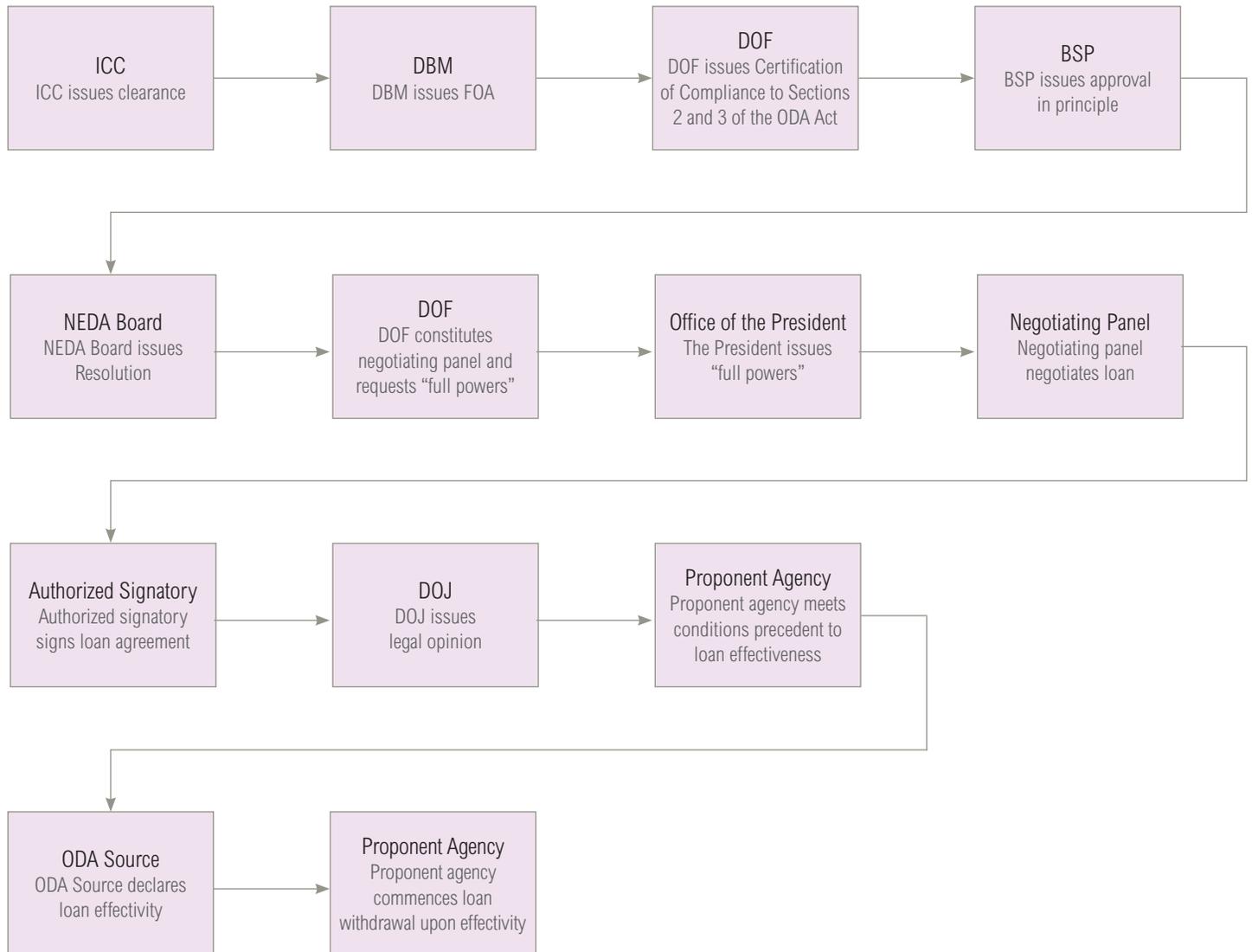
Figure 4 | **ICC Approval Process**



Source: NEDA 2010.

ANNEX C: PHILIPPINE LOAN PROCESS (CONT.)

Figure 5 | ODA Loan Programming Process Upon ICC Approval



Source: NEDA 2010.

Roles of the Institutions and Bodies Involved in the ODA Approval Process

Investment Coordination Committee (ICC): The ICC is comprised of NEDA, DOF, the Office of the President, DBM, the Department of Trade and Industry, the Department of Agriculture, BSP, DENR, Build-Operate-Transfer (BOT) Center, and the Department of Energy. It is tasked with evaluating major capital projects based on their technical, financial, economic, social, environmental and institutional development feasibility, and from the context of sectoral plans and geographical strategies. The scope of the ICC includes (a) programs/projects of national line agencies costing PhP 500 mn and above, or entails a foreign borrowing of at least US\$5 million; (b) new activities of government owned and controlled corporations and government financial institutions requiring investments that have to be financed by NG-guaranteed loan; (c) projects involving private sector access to concessional ODA loan financing through on-lending arrangements and/or NG financing guarantees; and (d) ongoing projects involving change in scope/cost above what was originally approved by the ICC.

National Economic and Development Authority (NEDA): NEDA is the Philippine's independent economic and development planning agency. It coordinates the national development plan formulation and programming. It reviews and appraises proposed ODA projects during programming and conducts monitoring and evaluation upon program/project approval.

Department of Finance (DOF): The DOF negotiates and processes loan applications. As a member of the ICC, the Department's expected inputs include: (a) Corporate Affairs Group (CAG) review for proposals from government owned and controlled corporations and government financial institutions; (b) return on investment (ROI) for public sector participation (PSP) projects (unsolicited or negotiated after bidding) as set by CAG; and (c) consistency of loan applications with borrowing strategy as cleared by IFG. During the programming stage, the DOF (a) issues certification after Forward Obligational Authority (FOA); and (b) constitutes negotiating panel and requests "full powers" after resolution is issued by the NEDA Board.

Department of Budget and Management (DBM): The DBM, as a member of the ICC, examines the budget implication of proposed public investments, recommends to Congress annual budgets for projects, and issues clearance for funding strategy. Once the project/program is approved by the ICC, the DBM evaluates the budget proposal of the implementing agency (IA) for inclusion in the latter's budget in the National Expenditure Program (NEP). Upon approval of the IA's budget, the Department issues obligational authority.

Banko Sentral ng Pilipinas (BSP): As member of the ICC, the Central Bank of the Philippines (BSP) ensures consistency of programs and projects with its monetary/foreign exchange policies.

Department of Justice (DOJ): The DOJ issues legal opinion upon signing of the loan agreement and prior to loan effectiveness.

ANNEX D: INDICATIVE LIST OF CLIMATE CHANGE RELATED PROJECTS IN VIETNAM

THEME OR SUB-THEME	NAME OF PROJECT	SOURCE OF FUNDS	IMPLEMENTING AGENCY	FUNDS ALLOCATED (USD)	LOCATION
Adaptation – Forestry (mangroves)	Sustainable Management of Forest Ecosystems for Coastal Protection in Bac Lieu Province Project	Germany/ODA	Germany/ODA	\$2,240,000	Bac Lieu Province
Adaptation – Mekong Delta	Finance the completion of the GMS Southern Coastal Corridor (GMS-SCC) in Viet Nam	ADB		\$75,000,000	
Adaptation – Mekong Delta	Viet Nam Coastal Wetlands Protection and Development Project (P042568)	WB	MARD	\$39,100,000	Mekong Delta
Adaptation – Mekong Delta	Climate Change Initiative Framework of the Mekong River Commission	Australia/AusAID	MRC	\$4,000,000	Mekong Delta
Adaptation – Agriculture	Helping poor farmers in rice-based systems in the Mekong delta of Viet Nam adapt to climate change	Australia/AusAID	ACIAR	\$1,000,000	
Adaptation – Area-specific	Management of Natural Resources in the Coastal Zone of Soc Trang Province	Germany/ODA	Germany/ODA	\$4,500,000	Soc Trang Province
Adaptation – Coastal (general)	Climate-resilient Infrastructure Planning and Coastal Zone Development	ADB/GEF	GoV	\$3,500,000	Coastal areas
Adaptation – Energy	National Hydropower Masterplan Study – Stage 1	Norway/ODA	MPI	\$2,000,000	
Adaptation – General	National Target Programme on Climate Change	GoV	MONRE	\$143,878,788	Nationwide
Adaptation – Natural Disasters	Natural Disaster Risk Management Project (NDRMP) (P073361)	WB	MARD	\$86,000,000	Nationwide
Adaptation – Natural Disasters	Urgent investment in improving forecast capacity of hydrometeorology station for disaster preparedness, especial focus on storm forecast (including 12 sub-project)		MONRE	\$18,375,000	28 coastal provinces
Adaptation – Natural Disasters	Quang Ngai Natural Disaster Mitigation Project	Australia/AusAID	Local Governments	\$8,134,820	Quang Ngai
Adaptation – Natural Disasters	Disaster Risk Management portfolio:	UNDP	MARD	\$4,000,000	National

THEME OR SUB-THEME	NAME OF PROJECT	SOURCE OF FUNDS	IMPLEMENTING AGENCY	FUNDS ALLOCATED (USD)	LOCATION
Adaptation – Urban	Asian Cities Climate Change Resilience Network (ACCCRN)	Rockefeller Foundation		\$70,000,000	Nationwide
Adaptation – Water	Build flashflood zoning maps		MONRE- IMHEN	\$1,125,000	Nationwide
Capacity Strengthening – Community-level	Community based disaster preparedness project	Europe/ODA	VNRC	\$1,089,450	Coastal
Capacity Strengthening – Energy		Switzerland/ODA	VNCPC	\$5,000,000	Mekong region
Capacity Strengthening – General	Strengthening national capacities to respond to climate change in Viet Nam, reducing vulnerability and controlling GHG emissions	UNDP	MONRE-IMHEN	\$4,660,000	National
Capacity Strengthening – Industry	Providing special loans for promoting cleaner production and energy efficiency in industry	VEPF		\$12,121,212	
Capacity Strengthening – Natural Disasters	Community Resilience to Natural Disasters in the Mekong Delta	Australia/AusAID	CARE	\$5,425,500	An Giang, Dong Thap, Long An Provinces
Capacity Strengthening – Natural Disasters	Support to the Disaster Management System in Viet Nam	UNDP	MARD	\$3,985,594	Coastal
Financial Mechanisms – General	Viet Nam Climate Change Framework Loan	Europe/ODA	MOF	\$140,000,000	National
Financial Mechanisms – General	Small Grants Programme of Global Environment Facility (b)	UNDP/GEF	Local Governments	\$1,500,000	
International Cooperation – General Measures	Sector Budget Support to NTP: Adaptation Component	Denmark/ODA	MONRE	\$40,000,000	National and Quang Nam, Ben Tre
Mainstreaming	Mainstreaming CC into socio-economic development planning	UNDP	MPI	\$3,600,000	
Mitigation – Agriculture	Mitigating the Impact of Climate Change and Land Degradation through IFAD's COSOP for Viet Nam	IFAD	GoV	\$56,500,000	
Mitigation – Agriculture	Transfer and Demonstration of Medium to Large Scale Biogas Digesters in Viet Nam (proposed)	ADB/GEF	MARD	\$2,600,000	

ANNEX D: INDICATIVE LIST OF CLIMATE CHANGE RELATED PROJECTS IN VIETNAM (CONT.)

THEME OR SUB-THEME	NAME OF PROJECT	SOURCE OF FUNDS	IMPLEMENTING AGENCY	FUNDS ALLOCATED (USD)	LOCATION
Mitigation – Agriculture	Viet Nam National CFC & Halon Phase Out (P083593)	WB	MARD	\$1,500,000	Nationwide
Mitigation – Agriculture	Livestock Waste Management in East Asia Project (P079610)	WB/GEF	MARD	\$1,000,000	Regional
Mitigation – Energy	System Efficiency Improvement, Equitization & Renewables (P066396)	WB	MOIT	\$347,900,000	Quang Ninh
Mitigation – Energy	Viet Nam Renewable Energy (P103238)	WB	MOIT	\$239,400,000	
Mitigation – Energy	DSM Management & Energy Efficiency (P071019)	WB/GEF	MOIT	\$18,563,441	
Mitigation – Energy	Phasing out Incandescent Lamps through Lighting Market Transformation in Viet Nam	UNEP/GEF	MONRE	\$10,975,000	
Mitigation – Energy	Promoting Energy Conservation in Small and Medium-sized Enterprises (PECSME)	UNDP/GEF	GoV	\$5,500,000	
Mitigation – Energy	VN-GEF Rural Energy II (P080074)	WB/GEF	MOIT	\$5,250,000	
Mitigation – Energy	System Efficiency Improvement, Equitization & Renewables Project (GEF Renewable Component) (P073778)	WB/GEF	GoV	\$4,500,000	National
Mitigation – Energy	Energy-Efficient Public Lighting	UNDP/GEF	VAST	\$3,000,000	National
Mitigation – Energy	Phase 1 DSM Program	Sweden/SIDA	GoV	\$2,800,000	
Mitigation – Energy	Energy Efficiency Improvement in the Public Building in VN	UNDP/GEF	MOC	\$2,000,000	
Mitigation – Energy	Wind Energy	Germany/ODA	Germany/ODA	\$1,400,000	Binh Thuan and Ninh Thuan Provinces
Mitigation – Energy	Viet Nam Energy Conservation Program	Netherlands/ODA	GoV	\$1,000,000	

THEME OR SUB-THEME	NAME OF PROJECT	SOURCE OF FUNDS	IMPLEMENTING AGENCY	FUNDS ALLOCATED (USD)	LOCATION
Mitigation – General	Asia Least-cost GHG Abatement Strategy (ALGAS)	UNDP/GEF	MONRE-IMHEN	\$10,000,000	
Mitigation – Industry	Waste Heat Recovery for Power Generation (HRPG) in Viet Nam's Cement Industry (proposed)	UNDP/GEF	MOST	\$2,600,000	
Mitigation – Transport	Hanoi Urban Transport Development Project GEF component (P085393)	WB/GEF	Local Governments	\$9,800,000	Hanoi
Mitigation – Urban	Hanoi Urban Transport Project (P085393)	WB/GEF	Local Governments	\$9,800,000	Hanoi
REDD	Mitigating the Impact of Climate Change and Land Degradation through IFAD's COSOP for Viet Nam	IFAD	GoV	\$56,500,000	
REDD	Development of Management Information Systems for the Forestry Sector (FORMIS)	Finland/ODA	MARD	\$4,300,000	National
REDD	UN-REDD	Multi-donor	UN/Other	\$4,300,000	National
REDD	Rehabilitation of Mangrove Forests in the Mekong Delta	Netherlands/ODA	MARD	\$3,314,000	Southern
REDD	Sustainable Land and Forest Management	UNDP	MARD	\$2,300,000	
REDD	The national trial PES policy (Decision 380 of the Prime Minister in 2008)	USA/USAid	Winrock	\$2,000,000	Lam Dong
Strategy	Support for Response to Climate Change (2010)	JICA	MONRE	\$120,000,000	Nationwide

Source: Thornton, 2010.

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ACRONYMS

ADB	Asian Development Bank	RAN-GRK	Indonesia's National Action Plan to Reduce Greenhouse Gas Emissions
AFD	L'Agence Francais de Developpement	REDD+	Reducing Emissions from Deforestation and Forest Degradation and the role of conservation of forest carbon stocks, sustainable management of forests and enhancement of forest carbon stocks
AusAID	Australian Government Aid Agency	ROI	Return on investment
BAPPENAS	The Indonesian Ministry for National Development Planning	RPJM	Indonesia Mid-term Development Plan
BOT	Build-Operate-Transfer	UK	United Kingdom
BSP	The Central Bank of the Philippines	UN-REDD	United Nations Program on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
CAG	Philippine Corporate Affairs Group	UNDP	United Nations Development Program
CBDR	Common But Differentiated Responsibility	UNEP	United Nations Environment Programme
CDIS	Coordinated Direct Investment Survey	UNFCCC	United Nations Framework Convention on Climate Change
CDM	Clean Development Mechanism	US	United States
CEPF	Critical Ecosystem Partnership Fund of AusAID	USAID	US Agency for International Development
CIF	Climate Investment Funds	USD	United States Dollars
CO ₂	Carbon dioxide	WRI	World Resources Institute
COP	Conference of the Parties		
DAC	The Development Assistance Committee of the OECD		
DBM	Philippine Department of Budget and Management		
DENR	Philippine Department of Environment and Natural Resources		
DFID	UK Department for International Development		
DNPI	Indonesian National Climate Change Council		
DOF	Philippine Department of Finance		
FCPF	Forest Carbon Partnership Facility		
FDI	Foreign Direct Investment		
FIP	Forest Investment Program		
FOA	Forward Obligational Authority		
GEF	Global Environment Facility		
GHG	Greenhouse Gas Emissions		
GOI	Government of Indonesia		
GOV	Government of Vietnam		
GTZ	German Organization for Technical Cooperation (now GIZ)		
ICC	Philippine Investment Coordination Committee		
ICCTF	Indonesian Climate Change Trust Fund		
ICCSR	Indonesia Climate Change Sectoral Roadmap		
ICI	German International Climate Initiative		
IDR	Indonesian Rupees		
JICA	Japan International Cooperation Agency		
KfW	Kreditanstalt für Wiederaufbau Bankengruppe		
M&E	Monitoring and Evaluation		
MARD	Ministry of Agriculture and Rural Development		
MDB	Multilateral Development Bank		
MIS	Management Information System of NEDA		
MOF	Ministry of Finance		
MoIT	Ministry of Infrastructure and Transport		
MONRE	Ministry of Natural Resource and Environment		
MPI	Ministry of Planning and Investment		
NEDA	Philippine National Economic Development Authority		
NEP	National Expenditure Program		
NGOs	Non-governmental organizations		
NTP	National Target Programme		
ODA	Official Development Assistance		
OECD	Organisation for Economic Co-operation and Development		
PIS	Public Investment Staff of NEDA		
PMR	Partnership for Market Readiness		
PPP	Public-private partnership		

ENDNOTES

1. In the context of the UNFCCC support includes financial resources, technology, and capacity building.
2. While representatives from Vietnam were invited, they were unable to attend.
3. Based on 10000 IDR per 0.98 USD on June 30, 2009.
4. Climate change policy loans (CCPL) while intended to support the overall climate change objectives of the government went directly to the Ministry of Finance (in that sense they were easy to track), but were generally used to support the state budget. Consequently they lacked transparency. During the period 2007-10, the GOI received approximately US\$2.0 billion in climate change policy loans. As of the end of 2011 the GOI no longer accepts climate change policy loans.
5. Unit Kerja Presiden Bidang Pengawasan dan Pengendalian Pembangunan or President's Delivery Unit for Development, Monitoring and Oversight.
6. Currently the link between planning and financing for climate change at the local, sectoral, and national level is weak. However, there are various initiatives planned to increase the capacity of the local government in mainstreaming climate change in development planning and reporting on GHG emissions.
7. Other priority areas include: Bureaucracy Reform and Good Governance, Health, Education, Poverty Reduction, Infrastructure, Disadvantaged, Borders and Post-Conflict Areas, and Culture, Creativity and Technology Innovation.
8. To ensure that the RPJMN and its annual work plans are more responsive and address sectoral and cross-sectoral climate related issues, BAPPENAS developed the National Development Planning: Response to Climate Change document, commonly known as "The Yellow Book". The Yellow Book also serves as a reference for the international community to support nationally identified and prioritized policies and programs. The Indonesia Climate Change Sectoral Roadmap (ICCSR) serves to harmonize programs and climate change actions within sub-sectors. The Roadmap provides sectoral policy direction, strategies, and programs to address climate change.
9. See the *Aid Information Management System (AIMS)* of the Ministry of National Development Planning of Indonesia. <http://aims.bappenas.go.id/index.php>.
10. Similar surveys have been carried out in the Philippines and Vietnam. The surveys can be found here: http://www.oecd.org/document/14/0,3746,en_2649_3236398_48947406_1_1_1_1,00.html.
11. Figure 3 in Annex B shows the ideal architecture of climate finance in Indonesia according to the government's perspective. However, please note that in the first box, PT IGI refers to a subsidiary fund under the Government Investment Unit (the unit established by MoF decree No 52/2007) which up to now has not been operationalized because of legal issues. This fund is designed to blend public and private finance.
12. The ICC Project Appraisal Monitor also captures projects under ICC review, which is the first stage in the Philippine loan approval process. The Official Development Assistance Monitoring System (ODAMS), which is managed by NEDA's Project Monitoring Staff (NEDA-PMS), monitors ongoing ODA-funded projects, including implementation and outputs.
13. Specifically, the strategy outlines priority areas, and associated outcomes, outputs and activities for climate change initiatives.
14. GHG emissions from the entire energy sector (power, industry, transport, agriculture, domestic and trade/services) are estimated to have been 47 M tons CO₂ equiv. in 2000 and are projected to grow to approximately 525 M tons CO₂ equiv. in 2030.
15. For example, in 2010 the Ministry of Infrastructure and Transport (MOIT) in Vietnam received almost \$US600m from the World Bank to fund improvements in energy production and the move to renewable sources. Provincial administrations were also expected to be significant beneficiaries. Such funding highlights a challenge for all partners when considering what is, and is not, classified as climate change finance. Arguably, such funding and responses need to be fully involved in the national response. See: Thornton, N. 2010. *Climate Change Financing and Aid Effectiveness: Vietnam Country Analysis*, published by Agulhas.
16. The draft WB approach includes definitions, a topology of categories, step-by-step guidance for WB departments and examples.
17. The complexity of modifying an existing data system will depend on the number of changes to be made and the availability and access to the technical support needed to make the changes. For example, if countries wished to only add markers for adaptation and mitigation, modifying an existing system would be significantly less complex than modifying a data system to add all the OECD DAC markers. Each country would have to do a preliminary feasibility analysis to determine which course of action would be best.

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