The International Climate Initiative

Innovative Financing for Climate Protection
INTERNATIONAL ADVISORY GROUP

Experts from international finance institutions, the public sector, academia, civil society and the private sector meet in IKI’s international advisory group to discuss strategic orientation, types of project and fields of action, best practices, synergy potential and opportunities for cooperation.

SELECTION PROCEDURE

The IKI is open to a range of different applicants from Germany and abroad. It funds projects conducted by federal implementing organisations, multilateral organisations, development banks, NGOs, universities, research institutes and private-sector companies.

New projects are selected through a two-stage procedure that takes place once a year. Priority is given to innovative and transferable solutions that have an impact beyond the individual project. The IKI cooperates closely with partner countries and supports consensus building for a comprehensive international climate agreement which aims to limit global warming to a maximum of two degrees Celsius. Moreover, it is the goal of the IKI to create as many synergies as possible between climate protection and biodiversity conservation. Since 2011 IKI’s selection process also identifies projects that focus on the implementation of the Strategic Plan 2011–2020 of the CBD, the 20 Aichi Biodiversity Targets and the CBD Programme of Work on Protected Areas. Further information can be found at: www.international-climate-initiative.com
A new, global climate agreement needs an international climate finance architecture that funds measures to help developing countries reduce emissions and adapt to the impacts of climate change. Germany is taking a leading role here: since 2008, the International Climate Initiative (IKI) of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) has been financing climate and biodiversity projects in developing and newly industrialising countries, as well as in countries in transition. Based on a decision taken by the German parliament (Bundestag), a sum of 120 million euros is available for use by the initiative annually. The IKI is a key element of Germany’s fast-start financing. The Energy and Climate Fund launched by the German Government in 2011 is a further source of finance for international climate projects, and for activities to conserve biological diversity. Part of that funding is deployed through the IKI. The Energy and Climate Fund is replenished from the auctioning of emission allowances. This innovative source makes Germany well prepared to deliver long-term financing. IKI funds are eligible as Official Development Assistance (ODA).

The initiative supports projects on greenhouse gas reduction, forest and biodiversity conservation and adaptation to climate change.
FOCAL THEMES

Building a climate-friendly economy
- Development and implementation of national emissions reduction targets (main focus: energy efficiency/ renewable energies); promotion of national and regional climate change mitigation strategies
- Development and implementation of innovative financing mechanisms for climate change mitigation
- Development and trialling of carbon markets/emissions trading systems, sectoral approaches, and programmes of activities (PoAs)

Adaptation to climate change
- Implementation of selected parts of national and regional programmes on adaptation to climate change
- Financial safeguards against the effects of climate change

Conservation and sustainable use of natural carbon reservoirs/reducing emissions from deforestation and forest degradation (REDD+)
- Use, protection and restoration of globally significant carbon reservoirs, habitats and climate-relevant biodiversity
- Ensuring safeguards and maximising co-benefits in REDD+

Biodiversity
- Implementation of the Strategic Plan of the Convention on Biological Diversity (CBD) and its Aichi Targets (including capacity-building for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services; National Studies on The Economics of Ecosystems and Biodiversity)
REGIONAL FOCUS

In its work to promote a climate-friendly economy, the IKI focuses on newly industrialising countries which, due to their fast-growing economies, have a high potential for cutting greenhouse gases.

The projects funded in the field of adaptation concentrate on countries and regions that are particularly vulnerable to the impacts of climate change.

The carbon reservoirs/REDD+ work prioritises countries and regions that have a high potential to reduce emissions from deforestation and store carbon, such as the Amazon region or Indonesian rainforest, for example.

In the field of biodiversity, the IKI contributes mainly in countries and regions that are home to high levels of biological diversity (‘hot-spots’) and that are particularly active partners in the implementation of the CBD.

MONITORING AND EVALUATION

The effectiveness of measures funded by the IKI as well as the initiative itself are reviewed systematically. Project monitoring and independent evaluation on completion of projects provide important insights into the individual projects which are also valuable for the initiative’s further development. Greenhouse gas monitoring, for instance, measures the effect individual IKI projects have on climate change mitigation both in qualitative and quantitative terms.
Since 2008, the International Climate Initiative (IKI) of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) has been financing climate and biodiversity projects in developing countries and emerging economies, as well as in countries in transition. Based on a decision taken by the German parliament (Bundestag), a sum of 120 million euros is available for use by the initiative annually. The IKI was a key element of Germany’s fast start financing. The Energy and Climate Fund (EKF) launched by the German Government in 2011 is a further source of finance for international climate and biodiversity projects, part of which is deployed through the IKI. That EKF is replenished from the auctioning of emission allowances.

Since the IKI was launched in 2008, BMU has initiated 354 projects in more than 80 partner countries with funding totalling some 1.1 billion euros. Additional capital contributed by the agencies implementing the projects and co-funding from other public sources like the European Union and the private-sector brings the total financing volume to 3.4 billion euros.

The projects are carried out by a broad range of entities: the German Government’s major implementing organisations Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and KfW Development Bank, multilateral organisations like United Nations organisations and multi-lateral development banks, NGOs, research institutes, foundations and private companies.

In the following, you will find a detailed summary of how the funding for IKI projects that have been commissioned and approved as at August 2013 (347 projects, 899 million euros) is distributed in terms of focal themes and region.

**IKI’s focal themes**

IKI’s work focuses on four areas:
- Mitigating greenhouse gas emissions
- Adapting to the impacts of climate change
- Conserving natural carbon sinks / reducing emissions from deforestation and forest degradation (REDD+)
- Conserving biological diversity

**IKI projects by subject (sorted according to project volume)**

- 52% Mitigating greenhouse gas emissions
- 23% Conserving natural carbon sinks/REDD+
- 14% Adapting to the impacts of climate change
- 11% Conserving biological diversity

About 52 per cent of IKI’s funding currently contributes to mitigating greenhouse gas emissions (187 projects with a total funding volume of 471 million euros). They focus on energy efficiency and renewable energies as well as promoting the design and implementation of low emission development strategies (LEDS) and nationally appropriate mitigation actions (NAMAs).
About 23 per cent of IKI funding is allocated to projects in the field of REDD+ and other carbon sinks such as peatlands (78 projects with a total funding volume of 205 million euros).

Climate change adaptation projects currently amount for 14 per cent of the total support volume (61 projects with a total funding volume of 129 million euros). They focus on ecosystem-based adaptation, and also on supporting partner countries in developing and implementing national adaptation strategies and on innovative insurance solutions.

The conservation of biological diversity has been a co-benefit arising from numerous IKI projects. Since 2011, it is also a dedicated focus of support which is financed through the EKF. To date, 21 projects with a total funding of 94 million euros are being supported, accounting for roughly 11 per cent of the total support volume. Activities concentrate on implementing the Strategic Plan 2011–2020 of the Convention on Biological Diversity and its Aichi Targets.

**IKI’s regional focus**

The IKI’s commissioned and approved 347 projects are distributed across about 80 partner countries. In addition to bilateral and regional projects, the initiative supports projects with a global focus. 23 per cent of the IKI’s total funds are allocated to projects of a global nature that cannot be assigned to any specific region. The graphic below shows the regional distribution:

**IKI projects by region (sorted according to project volume)**

- 22% Central and South America, Caribbean
- 23% Global
- 14% Europe, Caucasus, Central Asia
- 28% South and South-East Asia, Pacific
- 9% Sub-Saharan Africa

* MENA—Middle East and North Africa

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Date: September 2013
Measurement, reporting and verification (MRV) of parties’ progress on emission reductions has always been one of the most important building blocks of the international climate regime. However, it was not until the Bali Action Plan in 2008 that the term MRV was coined (Para. 1 b), bringing together all aspects pertaining to transparency and performance tracking in the climate regime. MRV is a term used to describe all measures which states take to collect data on emissions, mitigation actions and support to developing countries, to compile this information in reports and inventories. Because non-Annex I countries receive financial support for climate change mitigation measures, MRV is also essential to the recording and transparent reporting of international financial transfers and the use of funds. The Cancun Agreements on MRV adopted in 2010 were fleshed out in more detail in Durban in 2011. Agreement was reached on a process and guidelines for more regular reporting (in “biannual update reports” which will be reviewed internationally in a process called “international consultation and analysis”) on greenhouse gas (GHG) emissions and the efforts made to mitigate them. 

There are still a lot of open questions regarding MRV that will need to be worked out in more detail: these will focus more closely on the co-benefits and costs of climate change mitigation measures. The importance of MRV is also increasing in the areas of adaptation and reducing emissions from deforestation and forest degradation (REDD+). For the monitoring and reporting of adaptation (MRA), there has as yet been little elaboration of methods that can be used to demonstrate the effect of adaptation measures. First projects are under way to test instruments and methods for MRA and provide feedback to the international community in the future. In the area of REDD+ the absence of adequate political guidelines means that in many countries sub-national initiatives are developing their own reference levels and monitoring systems. These different sub-national approaches must now be incorporated into national REDD+ monitoring systems.

At international level the Subsidiary Body for Scientific and Technological Advice of the United Nations Framework Convention on Climate Change (UNFCCC), as a part of its work programme, develops the modalities for REDD+ related MRV standards. During the climate negotiations in Durban 2011 rules were defined for the monitoring of REDD+ safeguards, for example to protect the rights of indigenous peoples or conserve biodiversity. 

While international discussions are still under way, MRV systems have already been tested on the ground for some years. Many developing countries are working on national communications and the improvement of national data. MRV is also an important part of many internationally funded climate projects. Both the development of national MRV systems and the application of international MRV requirements pose significant technical challenges to developing countries, for example in terms of data collection, GHG inventories, emission projections and macroeconomic analyses.

Germany’s support for MRV
The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) is intensively involved in the international debate and supports emission reduction measures and MRV in its partner countries. At the Petersberg Climate Dialogue 2010 Germany, South Africa and South Korea launched the International Partnership on Mitigation and MRV to foster mutual learning between peers, identify best practices and disseminate lessons learned on emission reduction activities and MRV. Within this process, BMU is supporting capacity building in individual countries to design and set up national MRV systems. This support also informs the negotiations under the UNFCCC and will help shape future international MRV guidelines under the new climate regime. More information on the Partnership can be found at: www.mitigationpartnership.net.
At the same time, BMU funds specific projects that support developing countries in planning and implementing reduction measures that are likely to be MRV-able under an international climate agreement through its International Climate Initiative (IKI). It focuses on South-South cooperation projects that develop methods for monitoring GHGs and safeguards under REDD+ as well as projects designing and implementing instruments and methods that are specifically suitable for monitoring adaptation measures. Furthermore, IKI aims to create transparency with regard to each project and is working on a streamlined internal MRV system for all IKI projects. IKI’s website provides key information about all the projects.

**Project: Measurement and Performance Tracking (MAPT) of Climate Change Mitigation Actions**

The project is working with six partner countries to assess existing monitoring systems, GHG inventories and institutional expertise in the area of MRV, compare them with the country-specific need and expand and develop them as necessary. A scoping analysis that evaluates the strengths and weaknesses of existing MRV systems has been carried out for all the target countries. The project partners use this analysis as a basis for making recommendations for action on capacity building. The project promotes the development of MRV systems for nationally appropriate mitigation actions (NAMAs) and for the sub-national, sectoral and international level through workshops, training courses and the preparation of case studies. At all stages it involves both decision-makers (‘top-down’) and the private sector and civil society (‘bottom-up’).

This approach helps to establish guidelines and standards at national level with the support of all relevant stakeholders and makes progress towards the creation of standardised international MRV standards. Experience made in the partner countries is analysed and made available to an international public to help shape the development of international MRV rules and enable success to be replicated.

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CLIMATE-FRIENDLY ECONOMY: REDUCING EMISSIONS AND LIMITING CLIMATE CHANGE

The International Climate Initiative (IKI) of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) is supporting the development of climate-friendly economies and substantial greenhouse gas (GHG) abatement efforts. IKI’s projects assist partner countries through capacity building, policy advice and pilot projects to develop methods and instruments for reducing emissions in various sectors tailored to their needs. Working on the principle of ‘action and negotiation’, the IKI supports the development and implementation of specific climate projects worldwide, thereby demonstrating that reducing emissions is feasible. At the same time the knowledge acquired in the projects helps to move international processes forward, most importantly under the United Nations Framework Convention on Climate Change (UNFCCC). The IKI therefore focuses, among others, on projects supporting the development of low emission development strategies (LEDS), nationally appropriate mitigation actions (NAMAs) and measurement, reporting and verification (MRV) systems. Also, the IKI is seeking to establish innovative financing mechanisms for climate protection and supports the development of sustainable energy supply and other aspects of changing business-as-usual (BAU) economies. Other areas of activity are, for example, strengthening the international carbon market and emissions trading systems, as well as measures to reduce highly potent GHGs.

Two of the mentioned priorities of the IKI, LEDS/NAMAs/MRV as well as innovative financing mechanisms, will be briefly introduced and illustrated by project examples.
In the course of international climate negotiations, developing countries have committed themselves to reduce GHG emissions within their capabilities. Technology transfer and capacity building provided by the industrialised countries support developing countries to acquire the necessary implementation capacity. In this context, LEDS and NAMAs are important elements in driving forward climate-friendly development and achieving significant reductions in emissions.

LEDS provide the strategic framework for sustainable, climate-friendly development. They promote economic development while giving rise to fewer GHG emissions than a BAU scenario. Among other things, LEDS help identify and prioritise areas for political and economic action. LEDS or other related strategies ideally form the basis for the development of NAMAs.

NAMAs are voluntary measures undertaken by governments of developing countries to reduce GHG emissions. NAMAs could become an important instrument of a future global climate agreement. The secretariat of the UNFCCC is currently setting up a web-based registry to increase the transparency of NAMAs, support existing NAMA activities and attract funding for NAMAs where needed.

IKI projects help partner countries develop LEDS or proposals for NAMAs, access funding opportunities and implement measures on the ground. They promote the exchange of experience between countries and sectors to improve NAMA implementation. IKI projects are an important aspect of the International Partnership on Mitigation and MRV that was set up by South Africa, South Korea and Germany in 2010 at the Petersberg Climate Dialogue in Bonn, Germany (www.mitigationpartnership.net). Here the partners review the experience gathered in project implementation and debate the political and technical issues and expectations. The outcomes of these dialogue processes contribute to international discourse on LEDS and NAMAs, promote a common outlook and refine project approaches and support services.
**Project: Mitigation Action Implementation Network (MAIN)**

This IKI project carried out by the Center for Clean Air Policy (CCAP) promotes the design and implementation of ambitious NAMAs by identifying procedures and effective funding mechanisms as well as methods for MRV. The Mitigation Action Implementation Network (MAIN) consists of various actors involved in the development of NAMAs like public sector actors from developing countries and donors. MAIN promotes the exchange of information on NAMAs and MRV between developing countries in Latin America and Asia. The project also focuses on the financing of NAMAs, pointing funders towards NAMA opportunities and engaging the private sector. Activities in 2011 and 2012 included a global policy dialogue on MRV and the financing of NAMAs, and regional dialogues with government officials and other stakeholders to develop, present and analyse procedures for reducing GHGs emissions. To support these discussions CCAP is developing and presenting case studies of successful models from various sectors and countries and policy papers on key issues for NAMA development and implementation. Each case study explains how each NAMA ideally fits into a LEDS and contributes to it. With the support of the project, a number of partner countries are now preparing NAMA proposals using a standardised template developed by CCAP.

MAIN disseminates the experience gained and helps to develop international guidelines on the design, financing, implementation and MRV of NAMAs through peer-to-peer learning and knowledge exchange at regional and global levels. This ensures that the implementation level for developing and carrying out NAMAs is linked to the international climate policy process.

<table>
<thead>
<tr>
<th>Target countries:</th>
<th>Global (Argentina, Chile, China, Colombia, Costa Rica, Indonesia, Malaysia, Pakistan, Panama, Peru, the Philippines, Thailand, Vietnam)</th>
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<tbody>
<tr>
<td>Implementation:</td>
<td>Center for Clean Air Policy (CCAP)</td>
</tr>
<tr>
<td>Partners in the target countries:</td>
<td>Ministry of Foreign Affairs, Argentina; National Environmental Commission, Chile; Ministry of Environment and Sustainable Development, Colombia; Ministry of Environment and Energy, Costa Rica; Ministry of Foreign Affairs, Pakistan; Ministry of Foreign Affairs, Panama; Ministry of Environment, Peru; The Indonesian President’s Special Envoy for Climate Change</td>
</tr>
<tr>
<td>BMU grant:</td>
<td>EUR 1.9 million</td>
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<tr>
<td>Duration:</td>
<td>2011–2013</td>
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This IKI project supports the South African Department for Environmental Affairs (DEA) in achieving its ambitious climate change mitigation targets. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is working closely with DEA and other departments, research institutions and business associations to support a process that helps craft and implement mitigation strategies and environmental policy instruments. The project assisted in organising workshops and public hearings throughout the country in which the Green Paper on South African climate policy was debated. This intensive dialogue process, involving stakeholders from government, industry, civil society and science, has promoted a high level of commitment to implementing the policy. The project team coordinated and supported the publishing of a series of in-depth climate change research reports which provided important insights for developing the National Climate Change Response White Paper approved by the Cabinet in October 2011. Furthermore, the project contributes to the establishment of a national MRV system for mitigation actions in South Africa.

In addition, the project is working with partners to develop an adaptation scenario and is conducting studies with a focus on the vulnerability of economically important sectors such as agriculture, tourism and biodiversity. A climate change toolkit aimed at municipalities to improve local development planning was created.

Target country: South Africa
Implementation: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Partners in the target country: Department for Environmental Affairs (DEA)
BMU grant: EUR 4.17 million
Duration: 2009-2013
MOBILISING CAPITAL FOR CLIMATE PROTECTION

At the Climate Conference in Copenhagen the industrialised countries pledged to support developing countries in their endeavours to reduce emissions and adapt to climate change. They intend to mobilise 100 billion US dollars per year for this purpose, starting in 2020. It will not be possible to raise this amount without the long-term and reliable involvement of the private sector. But private investors often hesitate to invest in regions they are unfamiliar with (developing and emerging countries) and in innovative sectors (financing for climate change mitigation). A key question to be addressed is therefore how public funds can be used to reduce risks and stimulate private finance flows for climate protection in developing and emerging countries. A range of innovative instruments is required here, their common feature being that they deploy scarce public funds intelligently in order to leverage as much private capital as possible for investment in a low-carbon future. In this way, every euro from public funds is matched with a significantly larger volume of funding from private sources. BMU promotes the development of such innovative financing instruments and provides capital to help reduce the barriers to private investment.

Project: Global Climate Partnership Fund - investments in climate change mitigation

The Global Climate Partnership Fund (GCPF) facilitated by the IKI is an instrument for mobilising public and, above all, private capital for investment in climate change mitigation in developing and emerging countries. The fund primarily supports finance institutions in the target countries in their provision of funding for investment in small and medium-sized enterprises and households in the fields of energy efficiency and renewable energies.

It is a structured fund that combines public and private capital. Such a fund consists of different risk tranches based on the different categories of shareholders. Donor capital makes up the junior (equity) tranche, which is the first to absorb any losses. Public funds from the German government and other donors are allocated to this tranche. Any further losses are then covered by the development banks and international finance institutions that have raised funds on the capital markets and invested them at their own risk in the mezzanine tranche. Only as a last resort would private investors in the senior tranche risk losses.

The Global Climate Partnership Fund was set up in December 2009 by KfW Entwicklungsbank on behalf of BMU. Its professional fund manager – Deutsche Bank – was selected through an international tendering process. Until the end of 2012 the Fund has already secured pledges from investors of 234 million US dollars. In 2012 it successfully mobilised its first institutional private investor. GCPF aims for a fund volume of at least 400 million US dollars by 2016.

In 2011 the GCPF made its first investments. Its outstanding portfolio amounted to 153 million US dollars (as at June 2013).

Website of the Global Climate Partnership Fund: www.gcpf.lu
ADAPTATION: RESPONDING TO THE IMPACTS OF CLIMATE CHANGE

The International Climate Initiative (IKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) helps selected countries and regions that are particularly vulnerable to climate change to increase their capacity to adapt to its adverse effects. Among the priorities of the IKI in the field of adaptation is the concept of ecosystem-based adaptation (EbA). In addition, IKI projects support the development of strategies and instruments for managing climate risks, for example through innovative insurance schemes. IKI’s projects also provide advisory services on the elaboration and implementation of national adaptation strategies as well as on the use of climate information by policy-makers. In selected countries, comprehensive approaches are supported in order to develop integrated, cross-sectoral adaptation strategies, to implement specific adaptation measures in key sectors, and to scale-up knowledge from practical experiences regionally and globally. The first country under this programme is Grenada, which represents a small island developing state (SIDS).

Two of the adaptation priorities of the IKI, EbA and climate-related risk management, will be briefly introduced and illustrated by project examples.
Ecosystems provide important services for mankind. For example, they maintain soil fertility, provide clean water and protect against floods and erosion. These ecosystem services can also help reduce the effects of climate change on people’s livelihoods. The EbA concept therefore involves the use of biological diversity, natural resources and their ecosystem services to increase people’s ability to adapt to the adverse effects of climate change. EbA is thus a people-oriented approach that sees natural resources complementary to or as a substitute of other adaptation measures. In contrast to classical approaches on the management of natural resources and biodiversity, EbA focuses explicitly on present and future climatic changes and their effects on people and ecosystems. EbA measures are often comparatively cost-effective. For example, restoring ecosystems is often less expensive than investing in technical solutions that increase adaptive capacity to the same extent.

In practice EbA usually forms part of a more comprehensive adaptation strategy and should be integrated into existing planning processes, for example relating to land use management. Concrete measures include improved management, conservation or restoration of mangroves and coral reefs in order to protect coastal areas from increasingly extreme storms and the impacts of rising sea levels. However, EbA measures may require difficult decisions to be taken, for example if protected areas restrict the use of resources. Risk assessments, scenario planning and adaptation management methods should therefore be part of the decision-making process so that possible effects can be identified and taken into account.

Projects financed by the IKI test concrete EbA measures and analyse and publish the results. BMU feeds the experience gained from projects into international negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD). Practical experience on the results of EbA measures and their costs/benefits compared to other adaptation measures contributes to further refining the EbA concept.

Interactions between climate change, society and ecosystems

Source: Based on Kus et al. (2010) and Consortium for Atlantic Regional Assessments (2006).
Project: Ecosystem-based adaptation in marine, terrestrial and coastal regions

An IKI project implemented by the Conservation International Foundation analyses the potential of EbA measures at three locations in Brazil, South Africa and the Philippines. Pilot schemes in each of the countries provide examples of how EbA measures based on completely different ecosystems can be designed, implemented and evaluated with the local population. The pilot activities in the three countries cover maritime and coastal zones, coral reefs, semi-deserts and tropical forests.

In each country the ecosystems most vulnerable to climate change are identified in collaboration with the affected population. Two EbA measures for each country are then selected, implemented and reviewed. The relevant national stakeholders receive training and individual guidance in the field of EbA. For example, in the Philippines, mangrove swamps in certain coastal regions are replanted, and at the same time the statutory framework for fishing is adapted and appropriate fishing methods introduced. In South Africa the aim is to integrate knowledge of EbA into policy measures and adaptation planning, allocate budgets for appropriate measures and train staff in relevant institutions. Pilot activities improve the ways in which pasture and water is managed by local farmers with respect to climate change impacts. In Brazil the project undertakes detailed research into the expected effects of climate change and the vulnerability of the ecosystems in the target region. Finally, specific adaptation measures are developed based on the research findings. The project also includes monitoring interventions and assessing the cost-effectiveness of EbA in addition to amplifying results via national and international policy.

Target countries: Global (Brazil, Philippines, South Africa)
Implementation: Conservation International Foundation
Partners in the target countries:
- Brazil: Ministry of Science, Technology and Innovation, Secretary of Environment of Bahia, ICMBio – Institute Chico Mendes of Biodiversity
- Philippines: Local government units from the provincial level down to the community/village-level (Barangay)
- South Africa: Namakwa District Municipality
BMU grant: EUR 4.4 million
Duration: 2011 – 2015
Project: Establishing regionally appropriate, ecosystem-based adaptation in Mesoamerica

The International Union for Conservation of Nature (IUCN) implements an IKI project which enhances the statutory instruments supporting responses to climate change with a particular focus on optimising the management of transboundary water resources. Project activities such as workshops and discussion groups give policy-makers and other key players the information about ecosystem-based management methods that they need, institutionalise coordination mechanisms for water use and help mainstream EbA policy in national planning. The project has established baseline data on water and climate change and promotes dialogue between policy-makers, technical experts, researchers and civil society. Furthermore, pilot activities test climate change adaptation instruments in the water sector. So far the project partners have drawn up adaptation plans for six pilot areas. Initial measures to strengthen local water management capacity, conserve and restore ecosystems and improve living conditions are implemented.

The data collected and the methods used in the pilot projects are presented by the project at international forums and symposia.

Target countries: El Salvador, Costa Rica, Mexico, Panama
Implementation: International Union for Conservation of Nature (IUCN)
Partners in the target countries: Binational Cooperation Agreement Costa Rica-Panama and its Permanent Binational Commission, Guna Yala Binational Commission, Talamanca Caribbean Biological Corridor
Costa Rica: Ministry of the Environment, Energy and Telecommunications
El Salvador: Ministry of Environment and Natural Resources, Presidential Technical Secretary, Unidad Ecológica Salvadoreña, Trifinio Plan
Mexico: National Commission of Natural Protected Areas, National Water Commission, Sociedad de Historia Natural del Soconusco
Panama: National Environmental Authority of Panama

BMU grant: EUR 2.5 million
Duration: 2010–2013
Changes in climate lead to more frequent natural disasters, such as floods and extended droughts. As a result, smallholders often lose not only their crops but their entire livelihood, which in turn has a negative impact on the economy of the affected countries. Insurance against extreme weather events caused by climate change provides a way to reduce the risks and offer support in making a new start. It is important that insurance policies are accompanied by measures to mitigate the risks before a disaster occurs. IKI projects create incentives to minimise weather-related crop losses through improved agricultural management. For example, if a farmer in a drought-prone region grows wheat that needs less water, the risk of crop failure is reduced and the crop becomes cheaper to insure. IKI projects introduce insurance policies and risk management strategies to selected regions, provide support in designing the necessary legal framework and pass on the experience gained to policy-makers and potential providers of this type of insurance. By this means the projects improve the income security, food security, credit supply and employment opportunities of the rural population in the affected regions. They also help to attract foreign direct investment in selected value chains and to open up international markets. Lessons learnt from these projects will be fed into a draft document for submission to the Work Programme on Loss and Damage of the UNFCCC.

Project: Innovative insurance products for climate-related crop failure in Ghana

An IKI project implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) develops insurance products that protect against financial risks in Ghana’s agricultural sector as a result of extreme weather events and other effects of climate change. With the support of another programme financed by the German Government, Ghana’s insurance legislation has been completely reworked; amendments have been made to meet international requirements and information on index-based insurance schemes has been included. Together with insurance companies, the project assesses which value chains generate demand for insurance products and supports the development of these products and their distribution channels. The first product for insuring maize harvests against too little precipitation entered the market in 2011 and the first policies, covering over three thousand farmers, have been sold. Information materials such as videos and brochures provide relevant information to insurance companies and their partners as well as to policyholders. Training courses increase the competence of employees in insurance companies, financial institutions and farmers’ associations. In addition, the Technical Management Unit of the newly established Ghana Agricultural

Coinsurance Pool – an association of 19 non-life insurance companies – has been trained to develop, market and distribute agricultural insurance products. A feasibility study examines the local climatic conditions for agriculture and the weather dependency of various crops. The project is analysing the quality of the meteorological infrastructure while also providing advice and training to the Ghana Meteorological Agency to enable it to independently collect and process weather data for actuarial purposes. In addition, it provides automated weather stations to further improve weather-related data.
The International Climate Initiative (IKI), launched by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), gives targeted support to partner countries that contribute to the development of the mechanism for ‘reducing emissions from deforestation and forest degradation in developing countries, including conservation and sustainable management of forests and the enhancement of forest carbon stocks’ (REDD+). In concrete terms, the IKI focuses on the implementation of national REDD+ strategies as well as specific demonstration activities. Attention is paid to promoting synergies between forest protection and restoration, biodiversity conservation and climate change mitigation and adaptation. Lessons learned from IKI projects are widely disseminated among practitioners and planners. Importantly, they are designed to provide valuable impetus for international policy discussions and negotiations on REDD+ complementary to multilateral REDD+ initiatives such as the World Bank’s Forest Carbon Partnership Facility (FCPF).

In addition to its REDD+ focus, the IKI supports measures to reduce greenhouse gas (GHG) emissions and store carbon by protecting important ecosystems not covered under the REDD+ mechanism, such as boreal forests, marshes and savannahs. Other thematic areas include the promotion of sustainable land use management.
Promoting innovative practical solutions and scaling up national REDD+ efforts

Forests are the world’s biggest terrestrial carbon sinks. Deforestation and non-sustainable use of forests release large quantities of GHG, which account for up to 17 per cent of global GHG emissions. The forest sector can therefore make a significant contribution to mitigating climate change while at the same time preserving biodiversity and securing local livelihoods.

Discussions are thus under way under the United Nations Framework Convention on Climate Change (UNFCCC) on a REDD+ mechanism. The negotiations are supported by the REDD+ Partnership, which serves as an interim platform facilitating the exchange of practical experience of the implementation of REDD+ and the scaling up of actions and finance.

Like other sectors, REDD+ involves interdependencies between the global climate change architecture and national implementation. The REDD+ mechanism follows a phased approach (see diagram). In recent years the international community has bundled efforts to develop national REDD+ strategies in tropical forest countries and to gain experience of REDD+ pilot projects. Though these ‘REDD+ readiness’ measures are vital (phase 1), many developing countries are now looking for options to scale up their efforts. IKI’s commitment concentrates on innovative practical solutions to support the full implementation of REDD+ strategies (phase 2) in order to prepare national actors for a performance-based REDD+ mechanism (phase 3).

Priorities of the IKI are: establishing national systems for ecological and social safeguards, implementing systems for monitoring, reporting and verification (MRV) of forest carbon changes, developing forest reference levels, as well as improving the coordination of REDD+ activities and forest-related policies. In addition to measures to reduce deforestation and forest degradation, the IKI promotes forest restoration activities. REDD+ activities need to deal with the complexity of different interest groups with partly disparate goals in various institutional settings. Therefore, IKI supports its partners in identifying drivers of deforestation and forest degradation and finding socio-economically viable solutions for tackling them.

IKI project activities range from, but are not limited to, building institutional and technical capacities, providing policy advice and technical expertise, leveraging investment in the forest sector and promoting the exchange of knowledge and experience. The projects ideally work on multiple levels: informing the international REDD+ negotiations, supporting national and sub-national governments and strengthening the participation of local actors in REDD+ processes. Wherever feasible, the IKI promotes regional cooperation to strengthen South-South exchange and to bundle technical and institutional capacities in an efficient way.

Two of the above-mentioned REDD+ priorities of the IKI, establishing national safeguard systems and forest landscape restoration, are introduced briefly on the following pages and illustrated by project examples.

The three REDD+ phases

Phase 1: Readiness
Preparations of national REDD+ strategies and policies

Phase 2: Implementation and investment
Implementation of national REDD+ strategies and policies, pilot activities

Phase 3: Performance-based payments
Payments for emissions reductions
The IKI seeks to help avoid adverse impacts of REDD+ and maximise positive benefits. In the international debate on climate protection, biodiversity conservation is regarded as one of the most important co-benefits of REDD+. In order to maximise these co-benefits, corresponding criteria should be included in the countries’ REDD+ strategies. At the same time, ecological and social safeguards need to be in place in order to avoid adverse impacts of REDD+ measures and respect the rights and sufficient involvement of local communities. The IKI therefore supports projects that contribute to the development, application and monitoring of ecological and social safeguards and the management of co-benefits.

Project: REDD+ support mechanisms for biodiversity conservation in Vietnam

This IKI project implemented by the SNV Netherlands Development Organization in Vietnam provides a model for integrating biodiversity criteria into national REDD+ strategies and monitoring systems. The project aims to feed lessons learned into the international debate, as was done for example at a side event at the climate conference in Durban in 2011. In addition, it works with experts from the Secretariat of the Convention on Biological Diversity (CBD) and selected national parties to the UNFCCC. Together they produce a feasibility study dealing with various initiatives for the conservation and restoration of forests with high biodiversity (HB REDD+). In Vietnam itself, the project identifies opportunities for implementing HB REDD+, advising policy-makers on suitable national standards and training them accordingly. In February 2012 it published a state-of-the-art report and a policy guidance brief on international measures to promote HB REDD+ in Vietnam. Together with all the relevant players from the district to the national level, the project develops a scheme for introducing biodiversity as an additional dimension into REDD+ monitoring systems. Furthermore, it lays the foundations for participatory monitoring at community level through a pilot scheme in which selected communities are trained and facilitated to collect the necessary data themselves.

Discussions to extend the project are under way in order to support the governments of Vietnam and Lao PDR in operationalising REDD+ safeguards and demonstrating the co-benefits of REDD+ activities. This is to be achieved by integrating them into sub-national REDD+ implementation plans as well as participatory forest monitoring and local benefit distribution systems.

Target country: Vietnam
Implementation: SNV Netherlands Development Organisation
Partners in the target country: Ministry of Agriculture and Rural Development Vietnam
BMU grant: EUR 2.5 million
Duration: 2010–2016
In many developing countries, large-scale deforestation and forest degradation has led to the deterioration of forest ecosystems and ecosystem services, such as water retention, erosion control and biodiversity protection. Restoration of degraded or cleared forest landscapes therefore offers major opportunities for climate change mitigation, biodiversity conservation and the promotion of human wellbeing. Applying a landscape approach, which should also involve exploring existing and new systems of payments for ecosystem services (PES), allows these services and the relevant ecosystem boundaries to be properly taken into account. The IKI has thus identified forest landscape restoration as an emerging thematic priority.

**Project: Carbon sequestration through forest landscape restoration while benefiting biodiversity**

This IKI project, implemented by the International Union for Conservation of Nature (IUCN), generates cutting edge analytical work, practical tools and methodologies as well as innovative and open platforms for assessing forest landscape restoration and climate change mitigation opportunities. The project’s aim is to provide Mexico and Ghana with the necessary information, analysis and stakeholder engagement to integrate forest landscape restoration into the elaboration of biodiversity-supportive REDD+ strategies in a participatory way. Activities include mapping of restoration opportunities and the assessment of mitigation potentials and their related costs, as well as the application of biodiversity indicators. Furthermore, the project boosts the capacity of institutions from at least eight additional countries to undertake similar assessments, and promote supportive decisions in international REDD+ processes as well as a broad uptake of the project approaches and outputs. First results can already be observed and are fed into the decision-making process in connection with the allocation of funding from the World Bank’s Forest Investment Programme (FIP), for example in Ghana. 

<table>
<thead>
<tr>
<th>Target countries:</th>
<th>Global (Ghana, Mexico)</th>
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<tbody>
<tr>
<td>Implementation:</td>
<td>International Union for Conservation of Nature (IUCN)</td>
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<tr>
<td>BMU grant:</td>
<td>EUR 0.6 million</td>
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<td>Duration:</td>
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