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IKI INTERNATIONAL CLIMATE INITIATIVE

Germany's International Climate Initiative: Strategy 2023 to 2030

Imprint

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SUMMARY

Climate change mitigation, biodiversity conservation and adaptation to global climate change are the core concerns of Germany's International Climate Initiative (IKI). The IKI is a central programme in the German Government's international climate and biodiversity funding and has been instrumental in implementing the United Nations Framework Convention on Climate Change (UNFCCC), in particular the Paris Agreement (PA), as well as the Convention on Biological Diversity (CBD) since 2008.

This strategy sets out how Germany intends to use the funding programme to make the greatest possible contribution to overcoming climate and biodiversity crises in its partner countries by 2030.

Within the Federal Government, the IKI is anchored in the Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN). In coordination with the BMUKN, however, individual projects are also commissioned and implemented by the Federal Foreign Office. IKI activities are carried out in close consultation with the Federal Ministry for Economic Cooperation and Development (BMZ) and are aligned with the Strategy on Climate Foreign Policy of the Government of the Federal Republic of Germany. The aim is to achieve effective, trusting and long-term cooperation with partner countries.

The electrification of local public transport in Indonesia, the restoration of mangrove forests in Mexico or the introduction of energy-efficiency standards for climate-friendly refrigeration plants in southern Africa are just three examples of the many ways in which IKI projects are advan-cing climate action and biodiversity conservation worldwide. The intended effects are clearly defined: reducing greenhouse gases, protecting and/or restoring ecosystems, and promoting climate resilience. The numerous IKI projects in the partner countries each contribute to these impacts in very different ways and promote a concerted approach.

Specifically, Germany is pursuing the following goals through the IKI up to 2030:

- **Raising ambitions**: The IKI demonstrably contributes to more ambitious Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and/or National Biodiversity Strategies and Action Plans (NBSAPs) in at least 30 partner countries.
- **Improving the enabling environment:** The IKI demonstrably helps to improve regulatory and/or societal environments for cross-sectoral or sector-transformative climate change mitigation, biodiversity conservation, and/or climate change adaptation, for example by removing corresponding investment barriers and environmentally harmful subsidies in at least 20 partner countries, including the priority countries.
- **Implementation**: The IKI demonstrably contributes to the implementation of climate change mitigation, biodiversity conservation and/or climate change adaptation measures through piloting and scaling up in at least 20 partner countries, including the priority countries.
- **Leveraging private funds**: The IKI mobilises at least EUR 1.5 billion of private capital for climate change mitigation, biodiversity conservation and/or adaptation to climate change in the partner countries. In addition, it helps to catalyse private investment.

The IKI will consistently pursue a number of success factors that have emerged from its work over the past 15 years. These include supporting transformation processes in whole-of-society approaches, consistently involving civil society and marginalised groups such as indigenous peoples and local communities (IPLCs), and using the diverse knowledge that is anchored in partner countries. Other success factors are building international networks and transparently presenting innovative approaches and lessons learned. Key instruments for ensuring sustainable social and environmental impacts include the IKI's gender strategy, safeguards system and independent complaint mechanism.

The IKI funds multilateral, regional and bilateral projects in developing and emerging countries. Its bilateral funding activities centre on 14 priority countries[1] of outstanding relevance; these were selected according to the criteria of greenhouse gas (GHG) mitigation potential, biodiversity relevance and political commitment to close cooperation. These countries account for almost 50 percent of global GHG emissions and around 80 percent of GHG emissions from all emerging and developing countries. In addition, they are among the 25 global biodiversity hotspots that host the remaining habitats of 44 percent of all plant species and 35 percent of all vertebrate species worldwide. In addition, the IKI uses regional approaches in particular to support projects in countries that are already suffering from the climate crisis so that they can adapt as effectively as possible to the impacts of climate change.

The IKI takes a concerted approach to climate action and biodiversity conservation. It supports projects in four funding areas:

(I) mitigating greenhouse gas emissions,

(II) adapting to the impacts of climate change,

(III) conserving and restoring natural carbon sinks, and

(IV) conserving biological diversity.

The mitigation funding area accounts for the largest portion of funds (i.e. around 50 percent). The funding programme also systematically takes the diverse interactions and synergy potentials between the funding areas into account. This means that adaptation and biodiversity conservation often also play a role in mitigation projects and most projects contribute to several IKI objectives (e.g. the restoration of mangrove forests contributes to GHG mitigation, adaptation and biodiversity conservation). Within the four funding areas, the strategy defines priority fields of action, for which around 80 percent of IKI funding will be earmarked in the coming years. These fields of action comprise topics in which the IKI can achieve maximum leverage, whilst considering their relevance in terms of climate policy, the international funding landscape and the expertise of the German ministries involved. In addition, within these priority fields of action, the IKI will pay particular attention in the coming years to financing the socio-ecological transformation as well as ensuring the sustainable and climate-friendly development of urban areas.

The IKI relies on a mix of complementary funding instruments and diverse implementing organisations to achieve its strategic objectives. Through competitive worldwide funding calls, the IKI selects the best and most innovative approaches for addressing the topics currently on the agenda of the international climate and biodiversity negotiations; various implementing organisations then jointly develop and implement these approaches as a consortium. In addition, the IKI invests in international funds and large-scale multilateral initiatives that have a special leverage effect on international climate action and biodiversity conservation.

1. INTRODUCTION: THE IKI IN TRANSITION

Germany's International Climate Initiative (IKI) has been supporting an ambitious climate and biodiversity policy in developing economies and emerging countries for 15 years.

To date, the IKI has approved more than 1,000 projects in over 150 countries with a total volume of around EUR 6 billion.

The global context

The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC, 2023) clearly shows that the average global surface temperature was about 1.1°C higher between 2011 and 2020 than at the end of the 19th century, and that the risks of climate change for humanity and ecosystems increase dramatically with every increment of global warming of 1.5 °C or more.[2] At the same time, biodiversity is declining faster than ever in human history, and around 1 million animal and plant species are now threatened with extinction. It should be noted that the climate and biodiversity crises are mutually interdependent and inextricably linked[3]: Changes in biological diversity caused by land use changes or the overexploitation of natural resources have a negative impact on the climate system whilst global biological diversity is significantly influenced by elevated temperatures, altered precipitation patterns or the depletion of oxygen in the seas. In order to minimise these risks and ensure that adaptation to the effects of the climate crisis remains feasible, the IPCC states that global climate neutrality must be achieved by the middle of the century. The right course must be set for this in the coming years up to 2030 because it will only be possible to comply with the 1.5°C limit if global GHG emissions exceed their peak by 2025 and fall sharply by 2030.

The United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement and the Convention on Biological Diversity (CBD) serve as guiding principles for IKI's funding activities. With the Paris Agreement, at the 21st Conference of the Parties (COP21) in December 2015, all states of the Framework Convention on Climate Change committed themselves for the first time to make efforts to limit global warming to well below 2°C and preferably below 1.5°C. It also obliges states to improve their adaptation capacity and resilience as well as to align international and national financial flows with these objectives. In addition, developed countries are obliged to move forward and support developing and emerging countries in their transition to climate-neutral economies. The Paris Agreement revolves around the Nationally Determined Contributions (NDCs) to climate action[4], which require member states to successively submit more ambitious national emission reduction targets. Many NDCs also include measures for adaptation to climate change.

The Kunming–Montreal Global Biodiversity Framework (GBF) was adopted at CBD COP15 in December 2022 to promote the global conservation of biodiversity. With the GBF, the international community has set itself the goal of reversing the trend towards species extinction and the destruction of natural ecosystems by 2030. To make it possible to assess the global status of biodiversity and the achievement of objectives, uniform indicators have been introduced for the first time with a monitoring framework, strengthened reporting and a review mechanism. Furthermore, the possibility of making improvements if Parties to the CBD fail to achieve objectives has been introduced. CBD Parties are now required to align and implement their National Biodiversity Strategies and Action Plans (NBSAPs) with the GBF.

The IKI's role in international climate and biodiversity financing

Since it was founded in 2008, the IKI has been continually developing and responding to the dynamics and needs of global climate and biodiversity negotiations. Its funding volume grew steadily from around EUR 120 million annually in 2009 to around EUR 700 million in 2023. IKI funds can be fully counted towards the international climate finance[5]

provided by the Federal Government of Germany. The involvement of the ministries of the partner countries responsible for international climate negotiations also ensures that the projects are perceived by partner governments as support provided in the context of the UNFCCC.

One of the IKI's key and unique features is its consistent, integrative approach, which takes account of the diverse interactions and synergy potentials between climate and biodiversity goals. By closely following and implementing the decisions resulting from international climate and biodiversity negotiations, the IKI provides important impetus for the implementation of an ambitious climate and biodiversity policy in the partner countries. For example, the IKI advocated establishing and scaling up successful approaches such as ecosystem-based adaptation (EbA) from 2011 or support for the Intended Nationally Determined Contributions (INDCs) from 2014.

The IKI offers needs-based support for its partner countries. This brings together the priorities of partner governments, German expertise and the innovative power of the various implementing organisations. Cooperation and competition within the projects thus support innovative and successful climate action and biodiversity conservation, which is strongly rooted in the partner countries and has a long-term effect. The close political support provided by the IKI ministries makes it possible to share Germany's own experience (e.g. with regard to the energy transition).

In this way, the IKI promotes dialogue in a spirit of partnership, trusting and long-term cooperation, and mutual learning. This also includes the transfer of experience from the partner countries to the German context.

Over the past 15 years, the work of the IKI has been characterised in particular by competitive procedures, designed to select the best ideas and ensure that a variety of implementing organisations are included, while involving local approaches and actors in implementation (see funding instruments in Section 4). Having the courage to implement and finance new and previously untested approaches in various country contexts as pilot projects has been and remains one of the IKI's major concerns.

This also applies to the initiation of international and multilateral initiatives for the joint, ambitious implementation of climate action and biodiversity conservation measures. The IKI has thus initiated/co-initiated, financed and/or politically positioned long-term partnerships, including the NDC Partnership, the Mitigation Action Facility (formerly NAMA Facility), the Climate Vulnerable Forum, the Adaptation Fund, the NBSAP Accelerator Partnership and the Global EbA Fund.

It has also taken new paths together with partners from the private sector. In the area of blended finance, the IKI has mobilised private funds and also developed new financing approaches. This shows that together we are not only stronger but also more innovative, more effective and more successful in pursuing our cause.

2. IKI'S MODE OF OPERATION AND STRATEGIC OBJECTIVES UP TO 2030

The current decade up to 2030 is critical for addressing the challenges of climate change. Above all, this means putting solutions into practice.

The aim is to create a climate-neutral economy that is resilient to the climatic changes of the future and is embedded in natural cycles of healthy ecosystems. This socio-ecological transformation is intended to create economic opportunities for people as well as to prevent incalculable risks and costs. It requires considerably higher targets from all parties involved as well as faster implementation of measures for climate action and biodiversity conservation. To achieve the global objectives of climate action and biodiversity conservation, the IKI needs to go beyond piloting promising approaches and look at sectoral transformation. This transformation will succeed only if it is promoted by local actors, equitably shaped and strengthened by international support.

The projects funded by the IKI use the following approaches:

Supporting political processes: The IKI supports the further development of regulatory and societal frameworks in its partner countries. Through diverse and evidence-based guidance and advice on political processes, institutional and personnel capacities are strengthened at all levels, relevant actors in partner countries are connected, societal dialogue is promoted, and the development and implementation of policies and strategies (e.g. NDCs, NAPs, and NBSAPs) is advanced.

Supporting innovation and scaling up: In addition to piloting, the IKI will increasingly focus on scaling up successfully tested measures in terms of implementation support. This comprises, for example, demonstration facilities in the energy sector or the restoration of forest landscapes, which can be transferred to other regions and organisations based on lessons learned.

Establishing incentives for investment: The development of a sustainable and climate-friendly financial sector as well as the corresponding channelling of private and public cash flows are central to global climate action and biodiversity conservation. On one hand, the IKI relies on the direct mobilisation of private investment by setting up and participating in financing instruments. On the other hand, it helps to catalyse further investments (e.g. by advising banks, supervisory authorities and legislators on GHG pricing instruments)[6].

Up to 2030, Germany's International Climate Initiative will pursue the following objectives:

Raising ambitions: The IKI demonstrably contributes to more ambitious NDCs, NAPs and/or NBSAPs in at least 30 partner countries.

Figure 1: Objectives of the IKI up to 2030

IKI targets up to 2030	
Raising ambitions more ambitious NDCs, NAPs and/or NBSAPs	in at least **30** partner countries
Improving the enabling environment for cross-sectoral or sector-transformative climate change mitigation, biodiversity conservation and/or climate change adaptation	in at least **20** partner countries including the priority countries
Implementation of climate change mitigation, biodiversity and/or climate change adaptation measures through piloting and scaling	in at least **20** partner countries including the priority countries
Mobilising private investment the IKI mobilises investment in climate change mitigation, biodiversity conservation and adaptation to climate change in the partner countries	**1,5 billion** EUR private capital

Improving the enabling environment: The IKI demonstrably contributes to improved regulatory and/or societal environments for climate change mitigation, biodiversity conservation, and/or climate change adaptation across sectors or promoting single sector transformations in at least 20 partner countries, including all priority countries. Examples are the removal of corresponding investment barriers and environmentally harmful subsidies.

Implementation: The IKI demonstrably contributes to the implementation of climate change mitigation, biodiversity conservation and/or climate change adaptation measures through piloting and scaling up in at least 20 partner countries, including the priority countries.

Mobilising private investment: The IKI mobilises at least EUR 1.5 billion in private capital for climate change mitigation, biodiversity conservation and/or adaptation to climate change in the partner countries. In addition, the IKI helps to catalyse private investment.

In this way, the IKI makes extensive contributions to the following impacts in the medium and long term:

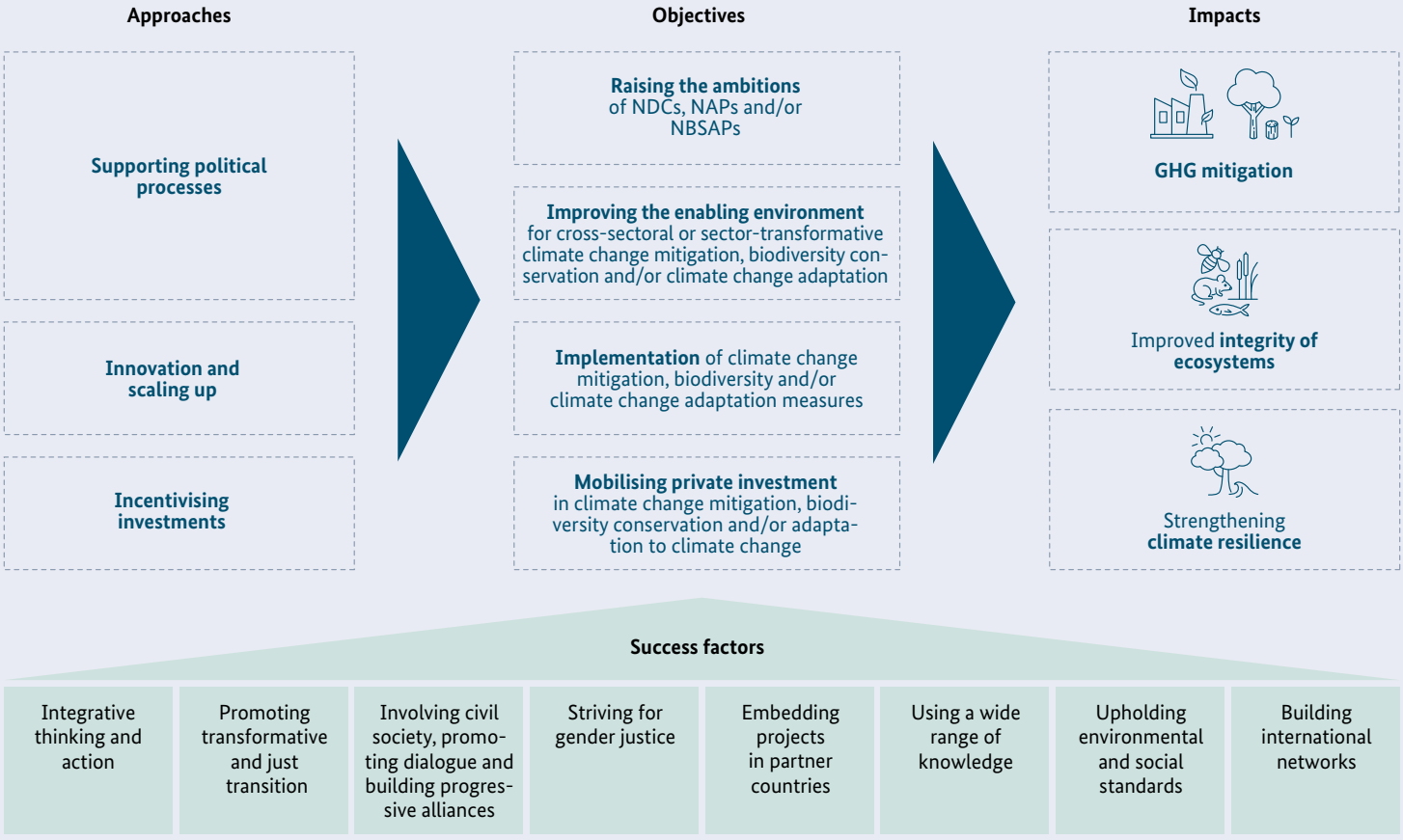
Mitigation of greenhouse gas emissions: The IKI mitigates greenhouse gases by funding or providing technical support for GHG mitigation measures and carbon sinks in the partner countries.

Integrity of ecosystems: The IKI improves the integrity of terrestrial or marine ecosystems (in terms of structure, diversity/species composition and ecosystem services) through their protection, restoration and sustainable use.

Strengthening climate resilience: The IKI supports people and ecosystems in their capacity to adapt to the impacts of climate change.

IKI projects thus enable and accelerate the socio-ecological transformation by laying the foundations for successful climate action and biodiversity conservation (e.g. reliable legal frameworks or attractive investment environments). Wherever possible and useful, IKI projects also lead directly to impacts, for example, by funding energy efficiency or afforestation measures. The results of such measures become permanent and scalable if they are embedded in appropriate political, societal and economic contexts. The IKI focuses on supporting improvements in corresponding enabling environments, and in doing so seeks to create the basis for long-term and widespread climate action and biodiversity conservation. Although impacts can often no longer be directly attributed to individual projects, they far exceed the direct results of individual pilot measures.

Figure 2: The IKI's mode of operation



To ensure that the desired results are sustainable, the IKI is guided by the following success factors in project implementation, based on the experience of the funding programme:

Integrative thinking and action: The integrative approach takes account of the diverse interactions between the four funding areas (mitigation, adaptation, natural carbon sinks and biodiversity) and enables the IKI to holistically address the related global crises. It thereby makes an important contribution to the UN's Sustainable Development Goals (SDGs).

Promoting transformative and equitable change: The IKI supports partner countries in developing and implementing their own transformative agendas that go beyond incremental change. Such transformation processes must be flexible and needs-oriented and involve societal and political efforts. Particular attention is paid to a just transition because far-reaching transformation can succeed only if it is supported by society as a whole and if as many people as possible benefit from it.

Involving civil society, promoting dialogue and building progressive alliances: Dedicated climate action and biodiversity conservation need strong advocacy and will only succeed if all relevant actors (including civil society) are involved in planning, implementation and utilisation. The IKI therefore supports social dialogue in the partner countries and in the international context across all funding areas. This includes the participation of civil society organisations, young people, indigenous peoples and local communities (IPLCs), women and marginalised groups in project activities and policy processes. The aim is to increase acceptance of the necessary measures for climate action and biodiversity conservation. Additionally, the involvement of all relevant stakeholders leads to more suitable solutions. At the same time, the IKI intends to contribute to building networks at the sub-national, national and international level to strengthen progressive actors.

Striving for gender justice: The IKI assumes that climate and biodiversity action projects achieve their maximum impact only if they take gender aspects into account across all planning and implementation steps. The IKI gender strategy therefore requires gender-responsive planning, gender-equitable access to project services, and the avoidance of gender-based discrimination in all projects. At least 60 percent of all IKI projects are to pursue gender-specific project goals in the field of climate action and biodiversity conservation and thus contribute specifically to gender justice through gender-responsive and gender-transformative approaches.

Embedding projects in partner countries: Climate and biodiversity measures are particularly effective if they are adapted to the needs of partner governments and the local people. They should take account of local knowledge and provide access and added value for local actors who continue to operate in the country after the project ends.

The local content rule of the IKI therefore stipulates that at least 50 percent of the project funds are to be implemented by organisations in the partner countries, thus adding value locally. In addition, the IKI supports cooperation between partner countries across national borders to promote the exchange of experience and synergies.

Using a wide range of knowledge: Compared to other international funding programmes, the IKI is characterised by the highly diverse range of implementing organisations involved, which enables the pooling of experience, joint further development of project approaches and mutual learning. This is supported by a focus on evidence-based approaches and systematic knowledge management.

Upholding environmental and social standards: The IKI safeguards system ensures that negative impacts of projects on people and the environment are avoided, mitigated or reduced and that indigenous peoples as well as vulnerable and marginalised groups are protected and empowered. In addition, the Independent Complaint Mechanism (ICM) of the IKI serves as a point of contact for reporting any negative social and/or environmental impacts of IKI projects.

Building international networks: The international climate and biodiversity community is strong only when it pools its efforts and acts jointly. The IKI therefore aims to systematically bring lessons learned and innovative approaches to international forums and negotiations, to incorporate concepts from the negotiation context into IKI projects, or to implement and co-finance multilateral initiatives together.

3. IKI'S STRATEGIC FOCUS

To achieve its goals and maximise its impact in the partner countries, Germany's International Climate Initiative places a strategic focus on priority countries and priority fields of action.

The IKI therefore attaches great importance to keeping up with the latest developments in international climate action and biodiversity conservation as well as maximising its added value by setting clear priorities.

Geographic focus – priority countries

To effectively fight the climate and biodiversity crisis, all countries must contribute depending on their respective situations. Germany has a particular responsibility towards developing countries that have so far contributed little to global warming, but which are often severely affected by its consequences. At the same time, emissions are rising quickly, especially in the rapidly developing emerging economies. The IKI therefore aims to support developing and emerging countries where it can make the greatest possible impact with the resources available.

All recipient countries of official development assistance (ODA) of the Organisation for Economic Cooperation and Development (OECD) are eligible as IKI partner countries. In this context, the IKI concentrates on priority countries, which were selected on the basis of the following criteria:

- high and/or strongly increasing GHG emissions;
- major importance for global biodiversity conservation;
- regional pioneer characterised by strong political commitment to climate action and biodiversity conservation.

Today, the 14 IKI priority countries (Brazil, China, Colombia, Costa Rica, India, Indonesia, Mexico, Peru, the Philippines, South Africa, Thailand, Turkey, Ukraine and Vietnam) together account for almost 50 percent of global GHG emissions and about 80 percent of emissions from developing and emerging countries.[7] All priority countries are also among the 25 global biodiversity hotspots where an exceptional concentration of endemic species is affected by a considerable loss of habitat. Climate change further exacerbates this effect. These hotspots contain the remaining habitats of 44 percent of all plant species and 35 percent of all vertebrate species worldwide.[8] Depending on what is needed, the IKI operates with a global, regional or bilateral approach in the priority countries. By 2030, around 80 percent

Figure 3: IKI priority countries

of the commitments for bilateral projects are to be concentrated in these countries.

In the coming years, the IKI will step up its cooperation with the priority countries and, if needed, adjust the selection of these countries using the above criteria. This applies in particular to the IKI's involvement in Africa: so far, only one country on the African continent, South Africa, is an IKI priority country. Given the continent's great importance for global climate action and biodiversity conservation, the IKI plans to expand cooperation with African countries over the coming years, and to reflect this in the list of priority countries as appropriate.

Funding areas and overarching priorities

The IKI addresses the following four funding areas:

(I) mitigation,

(II) adaptation,

(III) natural carbon sinks and

(IV) biodiversity.

This means that numerous interactions across the different funding areas are taken into account from the onset, which is one of the IKI's particular strengths. Rapid and long-term limitation of climate change is essential in order for humans to adapt to its consequences and preserve global biodiversity. This is one of the areas on which the IKI focuses. It will channel around 50 percent of funds into the mitigation funding area by 2030.

The IKI has defined overarching priorities across all funding areas to maximise the long-term results of its work:

Supporting international negotiation processes

The international negotiations under the UNFCCC and CBD provide the foundation for global climate and biodiversity action. The IKI contributes to ambitious agenda-setting by launching and advancing major global initiatives. The IKI also aims to break down measures and decisions from the international level to the national, regional and local level, thus fostering implementation.

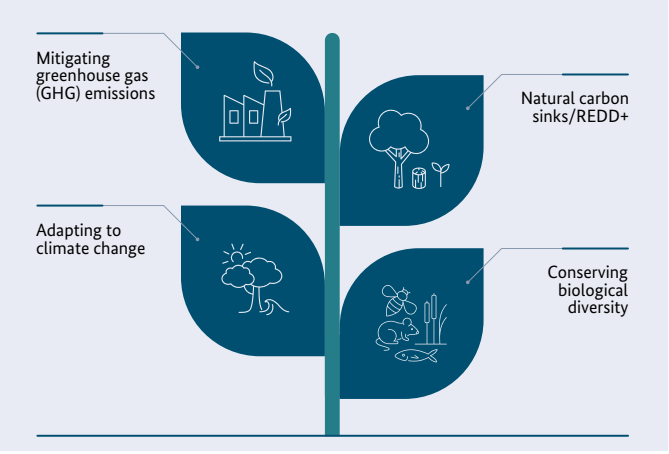
Funding the socio-ecological transformation

The availability of financial resources across all funding areas is crucial for the success of the transformation, be it by developing new approaches and technologies, implementing and scaling up business models, or expanding climate-friendly and resilient infrastructure. Accordingly, the IKI will focus more on redirecting global financial flows in line with the Paris Agreement, building a green financial sector and mobilising private investment. On one hand, it strives to improve the enabling environment in financial and industrial sectors of the partner countries in order to facilitate increased investment in climate action and biodiversity conservation. This includes activities to introduce and strengthen GHG pricing instruments and to promote the sound use of carbon markets, including voluntary carbon markets, within the framework set out in Article 6 of the Paris Agreement. On the other hand, targeted incentives are intended to mobilise private investment via the IKI in all funding areas.

Developing sustainable and climate-friendly urban and peri-urban areas

Today, the majority of the world's population lives in cities, which are growing rapidly, especially in developing and emerging countries. In future, this growth must be planned and managed in a climate-friendly manner – unlike in the past. Urban and peri-urban areas are hotspots of emissions produced by transport, waste management and buildings (e.g. cooling, heat, building materials). They are under high pressure to adapt (e.g. heat island effects, flooding) and suffer from a loss of natural ecosystems and their services. IKI funding has a particular potential for action in this interdisciplinary priority area precisely because the lock-in effects of unsustainable infrastructure systems can be proactively avoided by forward-thinking urban, infrastructure and land-use planning. Moreover, innovative nature-based solutions[9] can create biodiversity-promoting habitats with high climate relevance even in the smallest urban areas.

Figure 4: Funding areas of the IKI



Thematic priorities within the four funding areas

Building on the experience gained so far, the IKI also aims to strategically focus on priority fields of action within the four funding areas. These fields of action are chosen in such a way that the IKI can make the greatest possible contribution to achieving the set goals based on the existing needs, its own experience, and incorporation of its measures into the climate foreign policy of the German Federal Government. Around 80 percent of the IKI's annual project budget is intended to fund the priority fields of action within the four funding areas. The rest, approx. 20 percent, can be used to flexibly supplement and support emerging initiatives in climate action and biodiversity conservation based on existing needs.

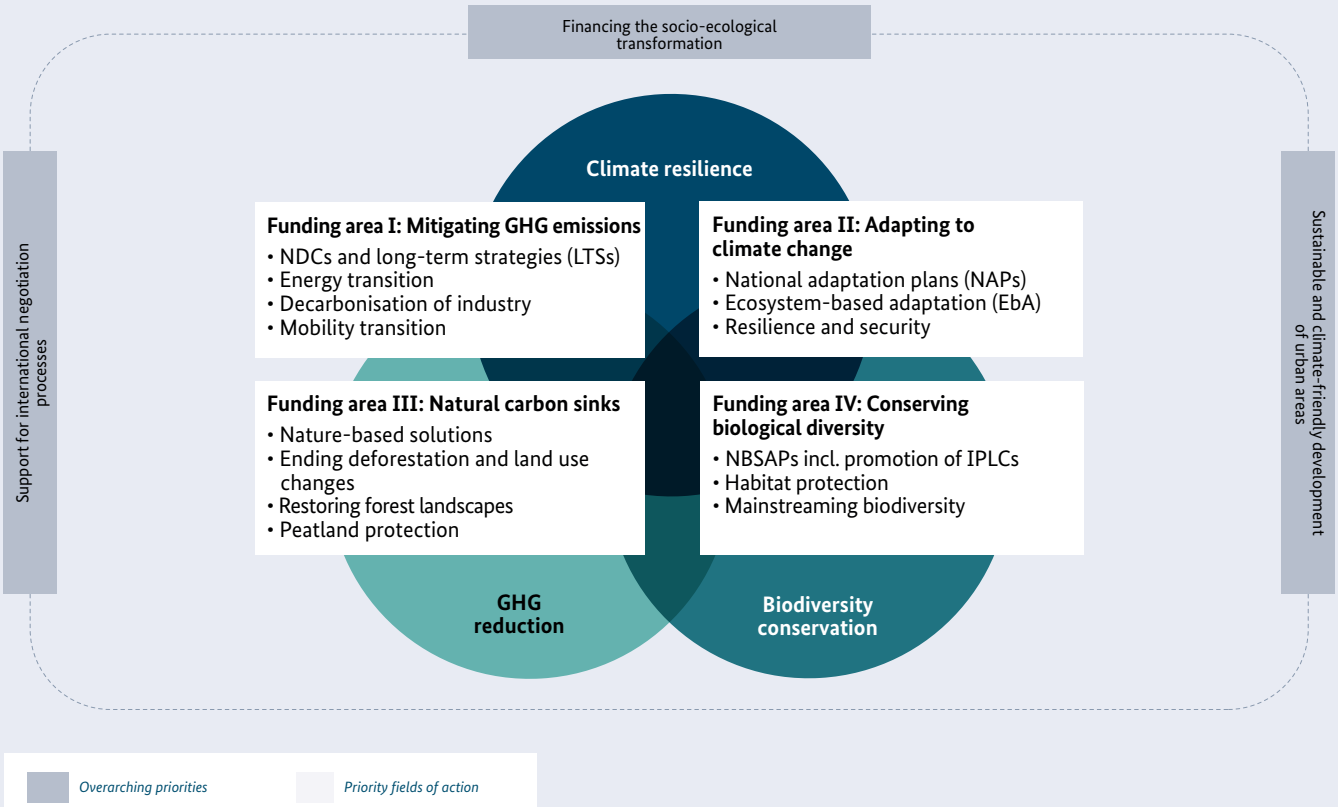
Priority fields of action in funding area I – mitigating greenhouse gas emissions

According to the described mode of action (Section 2), a focus in funding area I will be on creating the political framework conditions for the transition towards climate-neutral societies. Here, a particular emphasis will be placed on supporting the partner countries in the ambitious further development and implementation of their **NDCs and long-term strategies (LTSs)**.

In addition to the bilateral interface projects in the IKI priority countries, the NDC partnership will remain an important aspect of the IKI in this thematic area. With an eye to successfully shaping the intended transformation, it will increasingly pay attention to the link between climate, economic and social policy. In addition to the overall climate policy framework, the IKI will focus on the following three sectors in terms of mitigation, which together account for around 70 percent of global GHG emissions[10].

Building on Germany's experience, the focus in the **energy transition** field of action is on further developing energy transition technologies, financing them, and making them socially equitable to ensure societal acceptance of the necessary transformation. In terms of technologies, the IKI seeks to support specific areas of the energy sector as needed. This primarily includes the massive expansion of renewable energies (see the declaration by the G20 on tripling renewable energy capacities globally by 2030), the improvement of energy efficiency as well as the use of green hydrogen, including as a means of storing energy, sector coupling, grid expansion and cooling and heating. In particular, adaptations to the electricity system and the design of the electricity market in conjunction with targeted grid expansion and modernisation should play an important role in the future. To ensure partner-oriented and efficient cooperation in the energy sector, the IKI's support will be closely coordinated with other instruments of the Federal Government. These include energy and climate partnerships, energy dialogues,

Figure 5: Overarching priorities and priority fields of action within the funding areas of the IKI



Just Energy Transition Partnerships (JETPs) and projects funded exclusively by BMZ.

In parallel with the ongoing energy transition in the partner countries, the IKI is supporting the decarbonisation of industry as a key component of global GHG mitigation. Industry is a rather new – but increasingly central – topic for the IKI. In cooperation with the relevant partner ministries, the IKI will focus on sectors in which decarbonisation entails considerable costs, in which technologies are not yet sufficiently available, and which are also of great economic importance. There is considerable potential for this, especially in the IKI priority countries. Central starting points for policy advice include the development of sustainable industrialisation strategies with a view to integration into international markets of the future, the support of decarbonisation pathways for certain industries, the setting of standards and accounting frameworks, policy development, reference to the Carbon Border Adjustment Mechanism (CBAM), green procurement, and CO_2 pricing instruments for industry as an incentive for decarbonisation measures.

When piloting and scaling up specific approaches, measures to increase renewable energy and energy efficiency will be supported. In addition, the IKI promotes the mobilisation of private sector investments and strengthens the circular economy and resource efficiency. The Climate Club, which was initiated by Germany as part of the G7, is an international forum at the highest political level as well as an important reference point for the activities of the IKI.

In the field of the **mobility transition**, the IKI will, as a complement to existing approaches for traffic avoidance and modal shift, specifically address the large and growing sources of emissions. To this end, it will be particularly important to identify alternative fuel sources if we are to embark on low-emission pathways that are less based on fossil fuels. Appropriate instruments and measures to ensure that the transport sector makes a substantial contribution to the NDCs require reliable data sets. The IKI therefore wants to ensure that rapidly motorising countries have developed robust MRV (measurement, reporting, and verification) systems for their traffic-related emissions by 2030. On the basis of these emission models, these countries should also have developed substantial decarbonisation scenarios for transport and integrated them on a large scale into their NDCs. The IKI aims to ensure that as many countries as possible have drawn up initial roadmaps for the transition to alternative drive technologies and the energy transition, and have started implementing measures in at least some sectors. These include regulatory instruments as well as direct measures such as the electrification and expansion of public transport and the electrification of delivery services. In addition, the IKI aims to develop fuel pathways for international modes of transport as an area with steadily increasing emissions, but so far without far-reaching mitigation regimes, in line with the transformation of the energy system in the partner countries.

Priority fields of action in funding area II – adapting to the impacts of climate change

The ongoing climate crisis makes support for adaptation measures and the promotion of resilience a necessary and central funding area of the IKI, especially for highly vulnerable developing countries with limited adaptive capacity. Addressing the adaptation needs of partner governments often also creates effective opportunities for ambitious mitigation and biodiversity conservation measures.

Since the founding of the IKI, the German Federal Government has therefore supported partner countries that are particularly vulnerable to the impacts of the climate crisis, thereby making an important contribution to achieving the Global Goal on Adaptation set out in the Paris Agreement. In addition to mainstreaming adaptation across funding areas and providing further contributions to the Adaptation Fund, the IKI will focus on the fields of action presented below up to 2030. The first two of these have already emerged as important key areas.

Many partner countries continue to express a strong interest in receiving support in implementing a structured, iterative approach to the **preparation and implementation of National Adaptation Plans** (NAP process). This involves mainstreaming climate change adaptation both vertically at all levels of decision-making (national, sub-national, local) and horizontally (across sectors). At the same time, it is important to coherently align NAPs, NDCs, and LTSs for the mutual reinforcement of adaptation and mitigation measures and to link the NAP process to the NBSAPs. As the NAP process is now well established in many countries, the focus is increasingly shifting towards the concrete implementation of NAPs. This opens up various opportunities for further engagement by the IKI including areas such as Climate Information Services for Adaptation, promoting private sector involvement (including demonstrating the economic benefits of adaptation measures), and in implementing sectoral NAPs. In addition, the IKI supports community-based adaptation measures to implement increasingly transformative adaptation approaches that involve the local population.

The thematic field of **ecosystem-based adaptation (EbA)** complements the strategic orientation of the adaptation funding area. It combines climate change adaptation and ecosystem protection, which are two central priorities of the German Government. As one of the largest donors in the field of EbA, the IKI has made and will continue to make a significant contribution to establishing the EbA approach in international negotiations (UNFCCC and CBD) and beyond. Building on successful piloting, the IKI is now increasingly supporting measures to mainstream and scale up the EbA approach across sectors. As a central partner of the EbA community, the IKI pursues the goal of contributing to the global visibility of the concept. In this regard, current developments within the area of nature-based solutions

benefit considerably from the foundational work carried out in the field of EbA. The transformative effect of EbA measures is reinforced by their close link with the NAP process.

In the third priority field of action of the adaptation funding area, the IKI proactively addresses the interplay of **climate, resilience and security.** Adaptation measures that are currently effective may become less effective in certain regions as climate change progresses. This can result in adaptation limits being reached, and in an escalation of losses and damages. Here, too, the IKI can create added value compared to the traditional instruments of development cooperation, humanitarian assistance and stabilisation by developing suitable strategies for addressing security policy and international law issues that are often not addressed in traditional climate forums.

Priority fields of action in funding area III – conserving and restoring natural carbon sinks

The third funding area focusses on natural carbon sinks, because agriculture, animal husbandry, forestry and land-use changes continue to significantly contribute to global warming. At the same time, they are among the main drivers of biodiversity loss and the destruction of natural ecosystems. In addition, they are already severely affected by the impacts of climate change and offer enormous potential for climate action. Work in funding area III will focus on the following approaches:

Nature-based solutions maintain and strengthen the climate change mitigation effect of ecosystems where they are consistent with the protection and sustainable use of biodiversity and contribute to restoring ecosystems and adapting to the impacts of climate change. Climate change puts natural sinks at risk of losing their potential to sequester GHGs and even becoming a source of emissions themselves. Integrating the discourse on adaptation and biodiversity to a greater extent is intended to preserve ecosystem services, make ecosystems more resilient and improve sink performance.

To **end deforestation and land-use changes**, the IKI specifically supports protection and conservation measures, improved forest monitoring and social and environmental protection regulations. National and interim subnational approaches to reducing emissions from deforestation and forest degradation (REDD+) reward demonstrated emissions reductions. This requires coherent policy-making and integrated land-use planning, as deforestation is due mainly to decisions in other sectors. The EU regulation on deforestation-free products addresses the causes of deforestation and requires companies to ensure that agricultural products are produced without causing deforestation. Small-scale producers in particular are strengthened by capacity building and better traceability in the supply chain to ensure sustainable production without deforestation.

The Bonn Challenge, a global initiative to restore 350 million hectares of forest and forest landscapes by 2030, guides the IKI in the **restoration of forest landscapes.** It pursues a landscape approach that combines the conservation of biodiversity and climate action, contributes to sustainable development, and reports on progress on the basis of environmental, economic, and political criteria. Transferable business models related to the near-natural restoration of forests and forest landscapes help to expand sink capacity. The UN Decade on Ecosystem Restoration 2021–2030 aims to reverse the destruction of nature. It strengthens restoration initiatives through a high level of political attention, a global movement and technical support as well as diverse cooperation arrangements between indigenous peoples, civil society, business, academia and local authorities.

In addition to forests, **peatland protection** is of central importance globally. Peatlands are natural long-term carbon reservoirs and hotspots of biodiversity. Globally, the vast majority of peatland is still in a near-natural or natural state. However, in recent decades, the proportion of degraded and drained peatlands has been continually increasing. In addition to biodiversity losses, the release of stored carbon plays a considerable role for climate change. As a result of climate change, conditions for the growth and maintenance of peatlands are expected to deteriorate to varying extent in different regions, turning them from carbon sinks into sources of emissions. Based on these developments, the IKI focuses on the preservation of existing near-natural peatlands as well as on the restoration and stabilisation of damaged and degraded peatlands in the partner countries. It will pay particular attention to the integration and consider peatland protection to a greater extent in infrastructure projects and rural development planning.

Priority fields of action in funding area IV – conserving biological diversity

In funding area IV, the IKI is oriented toward the implementation of the GBF and its four long-term goals as well as the 23 action targets for the conservation of biological diversity. The four long-term objectives of the GBF focus on

(1) the health of ecosystems and species,

(2) the sustainable use of biological diversity,

(3) the equitable sharing of benefits from the use of genetic resources and digital sequence information, and

(4) the implementation and funding of the GBF, including closing the funding gap of USD 700 billion per year.

Specifically, the IKI will focus on the three following fields of action:

In the field of action **strengthening the NBSAPs**, the IKI is dedicated to supporting selected partner countries in revising and updating their NBSAPs as well as in actually implementing them. Whilst NBSAPs are the central political instrument for achieving the goals of the CBD and the GBF at the national and sub-national level, their potential is far from exhausted. The success of the GBF hinges on the actual application of a whole-of-government and whole-of-society approach to the implementation of the NBSAPs. The IKI wants to make a decisive contribution to this by strengthening capacities and implementation structures at the national and, in particular, sub-national and local levels. This also includes supporting the participation and inclusion of marginalised populations such as IPLCs. It will also be important to support the development of efficient monitoring systems. This will make it possible to verify implementation of the NBSAPs as well as to prepare analyses related to biodiversity development in partner countries, so that the ambition level of the NBSAPs can be adjusted if necessary. With the NBSAP Accelerator Partnership, the IKI was involved in the establishment of a global partnership at the CBD COP15. In this context, it intends to make a major contribution to rapid implementation of the GBF's goals in the partner countries by 2030.

In the field of action **protection and restoration of habitats**, the IKI supports selected partner countries with a view to implementing, amongst others, the area-based targets of the GBF. These include participatory, integrated and biodiversity-inclusive processes of spatial planning and management, the restoration of at least 30 percent of the degraded areas by 2030, and the conservation of 30 percent of land and sea areas by 2030. Here, the IKI works under the assumption that the restoration and effective protection of habitats will only be successful in close collaboration with local communities. In this field of action, the IKI therefore supports the intelligent combination of legal requirements adapted to local realities and sensitisation of the actors concerned. In addition, the IKI will support functioning incentive systems for the protection and sustainable use of ecosystems, the piloting and scaling up of appropriate approaches, such as promoting sustainable business models, as well as the necessary capacity building. The IKI also relies on the implementation of the landscape approach to guarantee the integrity and functionality of ecosystems as well as the necessary connectivity between natural habitats, and to take into account and balance the needs and interests of relevant actors in a particular territory.

We can only succeed in preserving our natural resources if all actors consistently take biodiversity into account, even outside conservation areas and other effective, area-related nature conservation measures. This means that sustainable utilisation strategies and practices regarding the remaining 70 percent of unprotected land and sea must also contribute to biodiversity conservation. Therefore, the IKI additionally focuses on **mainstreaming biodiversity** at all levels. This applies, in particular, to sectors such as fishery, agriculture, forestry, mining and infrastructure, which, because of their importance as drivers, contribute to the rapid loss of global biodiversity. On one hand, cooperation is needed with the regulatory side (the state) as well as with private sector companies and financial market players to promote environmentally friendly practices and investment. On the other hand, the IKI also wants to use public relations measures to raise public awareness – especially when it comes to the purchase and consumption of products – of the dramatic nature of the biodiversity crisis and solutions for overcoming it.

4. FUNDING INSTRUMENTS OF THE IKI

Top quality, innovation and the pooling of expertise – these are the standards applied to the projects supported by Germany's International Climate Initiative.

To achieve this, the IKI uses a diverse range of instruments. One key element is its competitive selection procedures, which together make up the **IKI Compete** funding instrument.

The **IKI Large Grants** address current challenges in climate action, climate change adaptation and biodiversity conservation on an annual basis. The respective thematic and geographic priorities are guided by the outcomes of international negotiations conducted under the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity.

Effective climate and biodiversity action requires strong advocacy and can only succeed if all relevant stakeholders, including civil society, are involved in planning and implementation. In particular, civil society organisations can access the two funding instruments **IKI Medium Grants** and **IKI Small Grants** under IKI Compete.

In addition to IKI Compete, the IKI uses non-competitive selection procedures to achieve the objectives of the IKI Strategy.

Through **IKI Invest**, the IKI contributes to multilateral initiatives and financing funds with the aim of strengthening international cooperation and mobilising additional private capital. IKI's partners in this area are primarily international organisations and multilateral development banks.

Through the **IKI Strategic Action** instrument, the IKI supports interface projects in its priority countries. In addition to implementing their own country-specific project mandates, these interface projects are tasked with working closely with the relevant ministries and German embassies on the ground and connecting IKI projects within the country in order to foster synergies in project implementation.

Figure 6: Funding instruments of the IKI from competitive and non-competitive selection procedures

5. STRATEGIC PROGRAMME MANAGEMENT AND DEVELOPMENT

As a basis for strategic management, Germany's International Climate Initiative has developed a results model with objectives and indicators, against which projects report regularly.

These include an analysis of the standard IKI indicators reported by the projects and provide an overview of the status of project contributions to climate protection, adaptation to climate change, conservation of biodiversity, skill-building and financing[11]. On the other hand, cross-project findings are processed through strategic evaluations, the cluster analyses of individual project evaluations[12] , or on the basis of other survey formats in order to document the progress made with regard to the overall programme objectives. An annual monitoring report summarises the findings of the standardised surveys.

The specifications of this strategy document provide the guiding framework for IKI competitions and funding decisions. In this context, the IKI will further optimise existing processes based on lessons learned so that it can initiate and implement the promotion of projects as efficiently as possible. It will also be crucial in this context to further speed up processes and project approvals.

Structured knowledge management geared towards the strategy helps the IKI to benefit from the extensive knowledge of all players and to continuously develop on the basis of the knowledge acquired. To this end, applications supported by artificial intelligence (AI) are increasingly being used to process information, strengthen collaboration and promote learning. In this context, the IKI is currently developing a tool for the AI-based analysis of evaluation reports. The central actors for IKI-wide learning are the IKI Office at Zukunft – Umwelt – Gesellschaft gGmbH, which is responsible for programme management, and the network of interface projects. The latter act as repositories of knowledge in their respective priority country or region for processing lessons learned and putting them into practice. The relevant information for all ongoing and completed projects can be accessed transparently via the IKI website. The IKI also provides updates on current topics through its social media channels.

Building on the findings and identified needs, the BMUKN will continue to develop the strategic objectives, continuously adapt project management and adjust project selection to ensure that the strategic objectives are achieved.

6. LIST OF ABBREVIATIONS

AA
German Federal Foreign Office

BMUKN
German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety

BMZ
German Federal Ministry for Economic Cooperation and Development

CBD
Convention on Biological Diversity

COP
UN Conference of the Parties

GBF
Kunming-Montreal Global Biodiversity Framework

GHGs
Greenhouse gases

ICM
The IKI's Independent Complaint Mechanism

IKI
International Climate Initiative (Internationale Klimaschutzinitiative in German)

IPCC
Intergovernmental Panel on Climate Change

IPLCs
Indigenous peoples and local communities

LTSs
Long-term strategies

NAPs
National Adaptation Plans

NBSAPs
National Biodiversity Strategies and Action Plans

NDCs
Nationally Determined Contributions

ODA
Official Development Assistance

PA
Paris Agreement

REDD+
Reducing Emissions from Deforestation and Forest Degradation

SDGs
Sustainable Development Goals

UNFCCC
United Nations Framework Convention on Climate Change

7. REFERENCES

1. The IKI priority countries currently comprise: Brazil, China, Colombia, Costa Rica, India, Indonesia, Mexico, Peru, the Philippines, South Africa, Thailand, Turkey, Ukraine and Viet Nam.

2. IPCC (2023). Summary for Policymakers. In: Climate Change 2023: Synthesis Report. A Report of the Intergovernmental Panel on Climate Change. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Downloaded on 16 June 2023 from https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

3. Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Secretariat (2021). Scientific outcome of the IPBES-IPCC co-sponsored workshop on biodiversity and climate change. Downloaded on 27 April 2023 from https://www.ipbes.net/sites/default/files/2021-06/2021_IPCC-IPBES_scientific_outcome_20210612.pdf

4. In this strategy, climate action is understood in its entirety and includes both mitigation of greenhouse gases and adaptation to climate change.

5. International climate finance is defined as financial support for developing countries in the mitigation of greenhouse gases and adaptation to climate change based on the UN Framework Convention on Climate Change (UNFCCC). As early as 2009, industrialised countries had committed themselves to providing USD 100 billion in international climate financing annually from 2020 onwards. This target has been extended to 2025. As part of the climate negotiations, the New Collective Quantified Goal (NCQG) is currently being negotiated and is due to be adopted by the end of 2024. The German contribution to international climate finance includes funds from BMZ and IKI for bilateral and multilateral cooperation projects, for contributions to international funds such as the Green Climate Fund (GCF) or the Adaptation Fund, public loans (provided by KfW and DEG), and the mobilisation of private funds.

6. According to the OECD classification, the IKI understands the 'mobilisation' of investment as the direct leverage of funds through financial instruments whilst 'catalysing' investment includes indirect leverage through the consultation and support of financing mechanisms.

7. GHG emissions from fossil energies and industries (excluding land-use changes) of the 14 IKI priority countries accounted for 47.6 percent of global emissions and 79.5 percent of emissions from developing and emerging countries in 2021 (recipient countries of official development assistance (ODA) of the OECD). Source: Global Carbon Project (2023). Downloaded on 12 June 2023 from https://ourworldindata.org/co2-emissions#cumulative-co2-emissions

8. cf Nature, VOL 403, 24 February 2000, www.nature.com

9. A definition of the United Nations Environment Assembly of nature-based solutions can be found here: https://wedocs.unep.org/bitstream/handle/20.500.11822/39864/NATURE-BASED%20SOLUTIONS%20FOR%20SUPPORTING%20SUSTAINABLE%20DEVELOPMENT.%20English.pdf?sequence=1&isAllowed=y (downloaded on 29 September 2023)

10. In 2019, 34 percent of net GHG emissions were in the energy sector, 24 percent in industry; 22 percent in agriculture, forestry, and other land use (AFOLU); and 15 percent in transport. The AFOLU area is covered in the IKI under funding area III and is accordingly taken into account there.
See: IPCC (2022). Mitigation of Climate Change 2022 – Summary for Policymakers. Downloaded on 11 May 2023 from https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SPM.pdf

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11. The IKI standard indicators were last updated at the beginning of 2022 and include quantifiable targets in the five results dimensions of greenhouse gas mitigation, ecosystems, adaptation to climate change, skills and financing. Because of the heterogeneity in the approaches and the thematic orientation of the projects, IKI projects do not report on all indicators but rather only on those that are relevant to the project. The number of relevant indicators varies per project. It is quite possible that projects from the mitigation portfolio do not report on the standard indicator 'mitigation' because they do not pursue quantifiable results but rather qualitative goals. Further details can be found at https://www.international-climate-initiative.com/NEWS1948-1 (downloaded on 15 September 2023).

12. See published summary of the cluster analysis of the individual project evaluations of the 2nd IKI evaluation cycle from 2022, for example, including the following management response: https://www.international-climate-initiative.com/PUBLICATION1054-1 (downloaded on 15 September 2023).