



Climate Financing by Finland¹

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¹ Finland (2009). Finland’s Fifth National Communication under the United Nations Framework Convention on Climate Change, 280 pp.

1. Provision of new and additional financial resources

Finland reaffirmed in the Bonn Declaration its strong political commitment to provide additional climate change funding for developing countries and has acted accordingly. Finland places particular emphasis on issues relating to climate change and the environment.

Finland provides funds for financial mechanisms of the Climate Convention and the funds under the Kyoto Protocol as well as through bilateral, regional and other multilateral channels. Finland has also integrated the goals and objectives of the Climate Convention and the Kyoto Protocol to its development policy taking into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties. It is steered by the Government Resolution on development policy adopted in October 2007.

The main goal of the policy is to eradicate poverty and promote sustainable development in accordance with the UN Millennium Development Goals. Finland pursues the development cooperation goals and approaches approved in the UN and the EU. Finnish development aid disbursements in 2008 were EUR 790 million, which was 0.43 per cent of its gross national income (GNI). Finland is committed to reaching the 0.51 per cent minimum set by the European Council by 2010, and to reaching 0.7 per cent, the target set by the UN, by 2015.

In a joint Political Declaration (Bonn 2001), Finland together with the European Community and its other member states and five other donor countries committed themselves to collectively providing USD 410 million annually as additional climate change funding for developing countries, starting in 2005. Finland's minimum share of this joint contribution is USD 6.4 million per year, but Finland has exceeded this figure: USD 7.4 million in 2005, USD 7.6 million in 2006, USD 9.4 million in 2007 and USD 28.5 million in 2008.

Finland has contributed additional resources to the Global Environment Facility (GEF) to prevent and mitigate global environmental problems in developing countries. During the 3rd replenishment period (2002–2006) the Finnish contribution was about EUR 30 million. The annual contribution has increased from EUR 3.4 million in 2002 to about EUR 8.0 million in 2004.

During the 4th replenishment period (2006–2010) the contribution is EUR 7.8 million per year. The total Finnish contribution during the period will be about EUR 31.2 million, EUR 1.2 million more than during the 3rd replenishment period.

The Development Assistance Committee (DAC) of the OECD has determined that 77 per cent of the core contributions to the GEF fund are eligible to be counted as official development assistance (ODA) until the year 2007, and from 2008, 96 per cent. The GEF divides the funds by environmental focal areas, with 33 per cent of the funds focusing on climate change.

2. Assistance to developing country Parties that are particularly vulnerable to climate change

Finland attaches particular importance to assisting countries that are least developed, as they are among the countries most vulnerable to climate change. Finland's eight long-term partners in development cooperation are Ethiopia, Kenya, Mozambique, Nepal, Nicaragua, Tanzania, Vietnam and Zambia. Five of these are officially classified as least developed countries, and all are particularly vulnerable to climate change.

Finland has also provided assistance to Burkina Faso, Afghanistan, Timor-Leste and Laos, all least developed countries particularly vulnerable to climate change. The assistance has included forestry and capacity building of the governments, including environmental administration. Finland's voluntary funding for the Least Developed Countries Fund and the Special Climate Change Fund under the GEF has increased from EUR 1.35 million in 2005 to EUR 2.5 million in 2008.

National meteorological services have a crucial role in producing data and information for adapting to climate change. Finland has over 20 years' experience in supporting development cooperation projects in meteorology, amounting to over USD 50 million in more than 80 countries. It is one of the major development cooperation donors in the field of meteorology, aiming to strengthen the capabilities of the national meteorological institutes.

3. Provision of financial resources

Financing decisions 5/CP.7 (implementation of Article 4, paragraphs 8 and 9, of the Convention) and 1/CP.10 (Buenos Aires programme of work on adaptation and response measures) have been taken into account by Finland.

3.1 Multilateral assistance

Finland has also supported the World Bank's Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) with EUR 1.5 million annually, of which 15 per cent can be counted under UNFCCC (EUR 0.225 million). As 2008 was a special theme year for climate change and adaptation 50 per cent was countable under UNFCCC (EUR 0.75 million).

In 2008 Finland decided to contribute EUR 7 million to the Readiness Fund of the World Bank's Forest Carbon Partnership Facility (FCPF).

Finnish support to the UNFCCC, other than its multilateral aid through e.g. the GEF and the Forest Carbon Partnership Facility (FCPF), has been thematic in nature and listed under bilateral aid. This aid also includes EUR 1.1 million (2004–2008) as support for the costs of official participation by developing countries in UNFCCC meetings. The figure is made up of annual financial support of EUR 60,000 to 80,000 over the period, plus an additional sum of EUR 0.7 million in 2007.

Table 1. Financial contributions to multilateral institutions and programmes (only part of the contribution is related to climate change)

Institution or programme	Contributions (millions of EUR)				
	2004	2005	2006	2007	2008
Multilateral institutions					
1. World Bank/IDA	30.4	35.5	31.5	40.1	29.6
2. African Development Bank and AFDF	0.4	10.1	13.9	20.23	28.96
3. Asian Development Bank and ASDF	3.53	3.45	3.45	3.45	4.35
4. Inter-American Development Bank	0.14	0.4	0.38	0.33	1
5. United Nations Development Programme - specific programmes	13.99	14.8	15.5	16	17
6. United Nations Environment Programme - specific programmes	2.86	2.86	2.86	4.14	2.9
7. UNFCCC – Supplementary Fund	0.04	1.41	1.2	3.06	2.86
8. Other					
– European Development Fund	34.63	39.1	39.6	44.46	54
– European Community	67	73.5	82.7	84.1	92.5
– Nordic Development Fund	8.6	5.6	10.4	5.9	18.3
– Montreal Protocol	1.1	1.1	1.1	1.1	0.72
– CGIAR	1.35	1.35	1.35	1.4	2.6
– WIDER	0.33	0.22	0.63	0.5	0.4
– PROFOR					0.3
– NFP Facility					0.3
Total	164.37	189.39	204.57	224.77	255.79

3.2 Mechanisms

In the EU emissions trading scheme, companies may partly meet their emission reduction obligations by using emission units from projects reducing emissions in other countries (so-called project mechanisms). The government may also use project mechanisms (Clean Development Mechanism (CDM) and Joint Implementation (JI)) or acquire assigned amount units (AAU) through international emissions trading in accordance with the Kyoto Protocol in order to meet Finland's national emission commitments.

The government budget for the acquisition of emission credits is EUR 70 million for 2008–2012. Of this, approximately EUR 20 million was spent in the CDM/JI pilot programme, which operated from 1999 until early 2006. The rest is allocated for 2005–2010.

By the end of 2008, Finland had invested approximately EUR 14.3 million in 14 bilateral CDM/JI projects. Beside these projects Finland has invested in multilateral carbon funds.

Finland has also signed a EUR 4 million co-purchase agreement with the Fine Carbon Fund managed by Greenstream Network Ltd. In 2008 Finland invested USD 20 million in the Asian Development Bank's Future Carbon Fund and EUR 1 million in NEFCO's Future Carbon Fund for post-Kyoto credits. In addition, Finland has reserved EUR 30 million for purchase of emission units in the post-Kyoto period.

Table 2. Investments in multilateral carbon funds for acquisition of emission reduction units for the Kyoto-period 2008–2012

Multilateral carbon fund	Investment sum
World Bank's Prototype Carbon Fund (PCF)	USD 10 million
Nordic Environmental Financing Corporation's (NEFCO) Testing Ground Facility (TGF)	EUR 4.25 million
European Bank for Reconstruction and Development's Multilateral Carbon Credit Fund (MCCF)	EUR 10 million

3.3 Bilateral assistance to developing countries

The Finnish development policy emphasizes that development in all countries should be ecologically sustainable. Multilateral environmental agreements and implementation assistance for developing countries create a framework for promoting ecologically sustainable development. Assistance in implementation is a long-term investment in building sustainable national development policies and achieving international environmental targets.

From a development cooperation point of view the UNFCCC is one of the most important conventions. Finland supports projects and programmes that promote environmentally sustainable development in its partner countries and regions. In the energy sector, for example, which is important in terms of economic development, solutions are being pursued for promoting the use of renewable natural resources.

In 2004–2008 Finland funded 27 projects directly under climate change related assistance. In addition, a wide range of projects incorporated mitigation of the effects of climate change as a significant objective. The form of assistance varied between regions and programmes. Finland's funding for the UNFCCC has grown almost four fold over the period 2004–2008. Most of the long-term partner countries for development cooperation are in Africa, and this is reflected in the funding of climate change related projects and programmes. Due to new projects and partnerships in the energy and environmental sectors, there has been an increase in Finland's development cooperation in the area of climate change in Asia and Central America.

The energy sector accounts for the largest share of mitigation-related projects. Support for forestry projects and adaptation is also substantial. With regard to adaptation, the most important element has been capacity building and vulnerability assessments in partner countries. Furthermore, Finland supports mitigation and adaptation measures through NGOs.

3.4 Energy sector cooperation

Energy-related pollution is increasing rapidly in many parts of the developing world, and preventing such pollution is becoming an important factor in Finland's development cooperation. It is important to increase sustainable energy use and to introduce renewable energy resources. Finland has enhanced sustainable wood fuel production and community forestry projects in e.g. Laos, Kenya, Tanzania, Zambia, Namibia and Mozambique.

A partnership initiative in energy and environmental cooperation with Central American countries was launched by Finland at the Johannesburg World Summit on Sustainable Development (WSSD) in 2002. The idea of the partnership model is to seek co-financing from the public and private sectors. Finland contributed EUR 7 million in total to the first and second phase of the partnership in 2003–2009. In 2009 the partnership was expanded to Africa and Asia. Finland's contribution for 2010–2012 is EUR 6 million.

Finland is also supporting energy efficiency improvements in Vietnam by training energy auditors and carrying out pilot audits in industry, buildings and transportation. In China, Finland has participated in district heating projects in urban areas by giving concessional credits for minimizing emissions from heat production. A concessional credits scheme has also been utilized to finance solar PV systems in remote areas in Vietnam and in Sri Lanka.

3.5 Forestry cooperation

Forestry forms a significant sector in Finland's development cooperation. Finland has supported sustainable forest management in various countries by assisting partner countries in the preparation and implementation of national forest programmes as well as sector policies and strategies.

Community forestry is important in the promotion of sustainable forest management, and such forestry has been assisted in Mozambique, Namibia, Tanzania, Zambia, Vietnam and Laos. Community and private sector involvement in forest management are particularly important, considering the risks that climate change poses to forests. Finland has supported pilot activities in the REDD programme (Reduced Emissions from Deforestation and Forest Degradation), which is based on rewarding individuals, communities, projects and countries that prevent deforestation and forest degradation.

Community-based forest fire management is also an important part of the Finnish ODA activities mitigating climate change. A programme for the control and management of forest and bush fires at the organizational and administrative levels has been supported in Namibia, Mozambique and Burkina Faso. It concentrated on involving the rural population in fire management and on capacity building in the national forestry organizations in order to promote local involvement.

In the global arena Finland has supported the Center for International Forestry Research (CIFOR) and the International Union of Forestry Research Organizations (IUFRO) in carrying out strategic research for advising policy makers. The research by IUFRO on climate change impacts on forests and people and on the options for adaptation received wide media publicity internationally.

3.6 Other climate change related cooperation

Finland has funded an international course on environmental law and diplomacy, organized annually by the University of Joensuu in eastern Finland and UNEP. In addition to teaching environmental law, the course aims to foster contacts between developing and industrialized countries and thus support international environmental negotiations.

Finland has supported a climate change and development project concerning Tanzania, Zambia and Mozambique. The project aims to ensure that climate change related policies and strategies lead to adaptation activities that emphasize the role of forests and water resources in supporting people's livelihoods and farming systems.

Finland has participated in a project which uses a regional networking approach to improve the development and exchange of knowledge among climate change focal points and climate change

professionals in Southeast Asia. The project supports the sharing of best practices and accelerates the transfer of climate friendly technologies.

The Finnish government is also financing several Finnish experts working in climate or environment projects in international environmental organizations and developing countries. The total number of such experts over the period 2005–2009 was 21 persons, with a total financing of EUR 2.2 million.

Finland is also contributing to the Marrakech Process for Sustainable Consumption and Production by hosting a Task Force on Sustainable Building and Construction (SBC). The annual support given to the Marrakech Process in 2005–2009 was EUR 30,000 to 40,000.

3.7 Financial resources, including resources under Article 11 of the Kyoto Protocol

Finland has not provided funding for the adaptation fund established in accordance with decision 10/CP.7., except for EUR 0.1 million for supporting the participation of developing countries in meetings of the Adaptation Fund.

Table 3. Summary information on financial resources (EUR)

Official development assistance (ODA)	790 million in 2008 (0.43 per cent of gross national income (GNI)).
Climate-related aid in bilateral ODA	14.76 million in 2008
Climate-related support programmes	Energy and Environment Partnership with Central America, VietAudit, Sustainable forestry for rural development project (SUFORD), Post-emergency reconstruction programme in the field of meteorology.
Contributions to GEF	2006 7.8 million, 2007 7.8 million, 2008 7.8 million
Pledge for fourth GEF replenishment	31.2 million
Activities implemented jointly (AIJ)	After the JI/CDM pilot programme (1999–2006) the Finnish Carbon Procurement Programme (Finnder) was launched. Finnder's portfolio of contracted projects contains 14 projects: 9 CDM and 5 JI projects. Emission reductions are 3.3 million tonnes CO ₂ eq.
JI and CDM under the Kyoto Protocol	Investments in the Prototype Carbon Fund, Testing Ground Facility, Multilateral Carbon Credit Fund, Asia Pacific Carbon Fund, Fine Carbon Fund, ADB's Future Carbon Fund, Nefco's Future Carbon Fund.
Other (bilateral/multilateral)	Support to World Bank's Trust Fund for Environmentally and Socially Sustainable Development. 27 projects for developing countries directly relating to climate change (2004–2008).

4. Activities related to transfer of technology

Finland has specific programmes and financial arrangements for transferring environmentally sound technology to developing countries. These activities comprise transfer of both "soft" technology, including capacity building, creating information networks and enhancing training and research, and "hard" technology (technology to control greenhouse gas emissions and for adaptation measures). Differentiation between these is not always clear. In developing countries the private sector and entrepreneurs play a key role in economic development. The Finnish Fund for Industrial Cooperation Ltd. (Finnfund) is a mainly state-owned company that finances private projects in developing countries by providing long-term risk-capital for profitable projects. It cooperates with Finnish and foreign companies, investors and financiers. Finnfund has recently financed renewable energy production projects in

Thailand, Honduras, Sri Lanka and Uganda, and tree-planting in Tanzania and southern Sudan. In addition it has made investments in the Central American Renewable Energy and Cleaner Production Facility (CAREC) and the Evolution One fund, which are investing in renewable and clean technologies in Central America and southern Africa.

Finland is also promoting business-to-business partnerships in environmentally sound technologies through Finnpartnership, as part of a wider set of Aid for Trade interventions. For example, in Zambia Finland is the lead donor in the environmental sector as well as a donor facilitator in the Enhanced Integrated Framework. Finland also has multiple private sector development (PSD) related programmes and projects in Zambia, which enhance the mutual synergies between the environmental and PSD sectors.

Finland has established 'economic clusters' (e.g. environment and climate change, water and sanitation, energy, agriculture, forest) to promote broad-based partnership-building with institutions and the private sector in development cooperation.

Finland supports the Energy and Environment Partnership with Central America, which has established various renewable energy and clean energy projects. The partnership has recently expanded to southern Africa as well as some areas in Asia.

Concessional credits are used primarily for environmental and infrastructure investments under national development programmes. They have been granted to various renewable energy projects, for example solar PV projects in Vietnam and Sri Lanka for providing basic energy and water services. In Vietnam and Honduras, projects to expand the electricity grid to improve access to energy have been supported, and in China, district heating projects have been implemented to improve energy efficiency, reduce emissions and improve air quality in cities.

In 2001 the UNFCCC established the Expert Group on Technology Transfer (EGTT) to enhance the implementation of the convention and to advance the technology transfer activities under it. Since establishment of the EGTT, Finland has participated actively in its work by providing expertise, leadership and financial resources. The latest Finnish chairmanship of the group was during 2008.

Since 2004 Finland has participated in the IEA CTI (Climate Technology Initiative), which is a multilateral initiative fostering international cooperation in the development and distribution of climate-friendly technologies and practices. The principal activities of the CTI include technology needs assessment, organizing seminars and training courses, facilitating technology and information dissemination.

The publicly financed Finnish Funding Agency for Technology and Innovation (TEKES) also has programmes that include developing countries and focus on climate-friendly technology.

Projects/programmes:

- Energy and Environment Partnership with Central America

- VIETAUDIT - To develop energy auditing practices in Vietnam and to conduct pilot audits
- SUFORD, Sustainable forestry for rural development project - To promote sustainable forest management
- Post-Emergency Reconstruction Programme in the Field of Meteorology - To reconstruct and rehabilitate the Meteorological Institute of Mozambique