



Climate Financing by Iceland

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2010 Reporting¹

1. Official Development Assistance

Development co-operation a key pillar in Iceland's foreign policy and represents Iceland's fulfillment of its political and moral obligations as a responsible member of the international community.

Following a steady increase in allocations to official development assistance (ODA) during the last decade, ODA contributions in 2008 reached a record 0.48% of GNI. This was significantly higher than the target of 0.31% for 2008, which is mainly attributed to the contraction of GNI and higher ODA volume to offset for the depreciation of the Icelandic króna against the US Dollar. The ODA volume in 2009 is estimated to remain similar in Icelandic króna, followed by a significantly lower budget appropriation for 2010.

In spite of the current crisis, development co-operation remains at the forefront of Icelandic foreign policy and the Government is committed to the attainment of the Millennium Development Goals and other internationally agreed development goals.

2. Icelandic Policy on Development Co-operation

Iceland's policy on development co-operation is founded on the basic values of Icelandic society; respect for democracy and human rights, gender equality and human dignity and a society characterized by tolerance, justice and solidarity. The policy document for the period 2005-2009 has been revised during the past year. The previous document was based on four pillars of development, which have now been streamlined in accordance with trends in international development co-operation. This is inter alia in line with the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008).

On 1 October 2008, a new Act on International Development Co-operation entered into force, providing the framework for Iceland's development efforts. The Act is a comprehensive legislation encompassing all aspects of Iceland's ODA. The Act stipulates that every two years, the Minister for Foreign Affairs shall submit before the parliament a proposal for a resolution for a Programme on International Development Co-operation for the subsequent four years. The new Act also enhances policy coherence, coordination and accountability, increases flexibility for aid modalities, strengthens parliamentary oversight and emphasizes results and predictability.

Iceland's development co-operation continues to focus on sustainable development, poverty reduction, capacity building, gender equality, and advancement of democracy, through the promotion of the Millennium Development Goals. A special focus is on the Least Developed Countries through bilateral and multilateral co-operation.

¹ Iceland (2010). Iceland's Fifth National Communication on Climate Change under the United Nations Framework Convention on Climate Change, Ministry for the Environment, 118 pp.

The Government of Iceland has committed itself to contribute to the sustainable utilization of natural resources through international co-operation, and ratification of international agreements. From the outset, this has figured prominently in Icelandic development co-operation. The fisheries sector continues to be a strong element of Iceland's bilateral activities. The Icelandic International Development Agency (ICEIDA) has supported research, training and capacity building in the sector, based on Icelandic expertise in this field. Sustainable fisheries based on sound scientific advice can contribute significantly to the resilience of coastal communities in developing countries and the adaptation to climate change where changing conditions in the ocean are threatening the ecosystem. Iceland will also continue its support for geothermal projects in developing countries with geothermal resources, which can be utilized to decrease their dependency on fossil fuels for economic development. Contributions to climate related development co-operation have not been differentiated from general contributions. Nevertheless, efforts are being made to mainstream climate issues into programmes and projects. No decision has as yet been taken regarding Iceland's contribution to GEF.

The Government of Iceland has supported developing countries in the area of sustainable utilization of natural resources through its administration of two United Nations University Training Programmes, the Geothermal and the Fisheries Training Programmes. The Geothermal Training Programme has operated over thirty years, building up expertise in the utilization of geothermal energy, by training more than 400 experts from over 40 countries. The Fisheries Training Programme that was established in 1997 has offered specialized training courses to almost 200 fellows from over 30 countries in various subjects relating to fisheries. Both Programmes provide their graduating fellows with the opportunity to enter MSc and PhD programmes with Icelandic universities.

A Land Restoration Training Programme was established in Iceland in 2007, in co-operation with the Agricultural University of Iceland and the Soil Conservation Service of Iceland. The aim of the project is to assist developing countries in increasing their capacity for holding and reversing land erosion, which will improve conditions for agriculture and husbandry. Furthermore, it will increase natural carbon sequestration in the affected regions. The Programme became a part of the UNU network in 2010.

A pilot project relating to gender equality and women's empowerment was initiated in 2009, based on the same principles as the above mentioned training programmes. The project will focus on gender equality in general but also on gender and the environment and gender and climate, contributing to capacity building in that field.

Collaboration with international organizations on sustainable development will be increased and ways will be explored to co-operate with small island developing states (SIDS), where the development of fisheries, energy and gender equality are important economic factors.

Priority areas for Icelandic development co-operation that are especially relevant for the purposes of mitigating and adapting to climate change are:

- Increase its focus on sustainable development, emphasizing the sustainable utilization of natural resources.

- Strengthen the United Nations University Fisheries Training Programme and Geothermal Training Programme by enabling the programmes to admit more students and set up training courses in developing countries.
- The establishment of the Land Restoration Training Programme that specializes in restoration of degraded land and sustainable land management, aiming at assisting developing countries in capacity development within this field.
- The establishment of the Gender Equality Training Programme that inter alia offers courses on gender and climate.
- Energy a point of focus in ICEIDA 's bilateral development co-operation.
- Strengthen collaboration with international institutions in the field of fisheries, renewable energy and gender equality.
- Support to small island developing states.
- Special emphasis on support to the Least Developed Countries.

3. Implementation of Iceland's Development Co-operation

The Ministry for Foreign Affairs is responsible for overall coordination of Iceland's official development co-operation. The implementation of Iceland's development co-operation is conducted under the auspices of the Ministry, which is responsible for multilateral development co-operation, support to peace building and post-conflict reconstruction, and emergency and humanitarian aid. Bi-lateral development co-operation is implemented by the ICEIDA in four partner countries (three as from 2011). Icelandic civil society organizations involved in development co-operation have grown in strength and increasingly participate in humanitarian efforts and development co-operation projects. In addition, the Icelandic private sector has to some extent turned the attention to the issues of the developing countries.

The aim of Iceland's participation in international development co-operation is to provide assistance to developing countries in an efficient and reliable manner, either through bilateral or multilateral channels. Emphasis is put on active participation in co-operation within international organizations, building institutional capacity for aid administration and enhancing professional and sound working methods, taking into account the experience and expertise of other countries and international organizations

Multilateral Development Co-operation

In light of the above, the principal emphasis will be placed on participation in the work of selected United Nations Funds and Programmes, and the World Bank and its agencies. Iceland's permanent missions to international organizations play a significant role in Iceland's development efforts. These include the Permanent Mission to the Agencies of the United Nations in New York, Geneva, Paris and

the Organization for Economic Co-operation and Development (OECD), the World Trade Organization in Geneva, and the Organization on Security and Co-operation in Europe in Vienna.

Bilateral Development Co-operation

This support is based on bilateral development co-operation agreements between the Government of Iceland and the governments of partner countries. ICEIDA channels its support to a small number of low income countries in sub-Saharan Africa: Malawi, Mozambique, Namibia and Uganda.. With the exception of Namibia they all fall into the category of the least developed countries (OECD, DAC) and rank among the lowest in the UNDP's Human Development Index. Co-operation with Namibia will come to an end in December 2010. The choice of partner countries reflects Iceland's focus on poor people and poverty reduction. Furthermore, the Agency provides support to one project in Nicaragua which aims at increasing the use of geothermal resources in the country.

ICEIDA is delivering its aid mainly through targeted support to sub-national districts and specific sectors. The focus is on primary and adult education, primary health care and water- and sanitation, in addition to the fisheries sector. Focus on the energy sector (particularly geothermal energy) has recently been included in ICEIDA's agenda. Two cross cutting issues have been identified as most relevant in ICEIDA's development strategies: gender equality and environment. Both issues must be taken into account at all stages of the funding cycle of programmes/projects.

United Nations University in Iceland

One of Iceland's largest undertakings in multilateral development co-operation is the operation of the UN University Geothermal Training Programme and the UN University Fisheries Training Programme. The training programmes provide experts from the developing countries with an opportunity to engage in specialized studies in Iceland. The training programmes are predominately funded by the Government of Iceland. The policy of the Government is to maintain both programmes structurally and financially strong. In addition, the Land Restoration Training Programme, which is entering its fourth year of operations, became an official UNU training programme in 2010. The Programme is an important contribution to Iceland's climate efforts.

Non-governmental Organizations

Non-governmental organizations (NGOs) are important participants in development co-operation and humanitarian efforts. They contribute as implementing agents in the field as well as through their advocacy work for development issues. In recent years, the number of NGOs participating in this field has grown in Iceland, and many of them are engaged in activities in Africa and elsewhere either through affiliation with international NGOs or through co-operation with local NGOs.

In order to improve transparency and ensure that government support is granted on an equal footing, the Ministry and ICEIDA have issued guidelines on co-operation with NGOs. The guidelines stipulate an application process, a vetting arrangement and eventual contractual requirements, including for development objectives, financial statements and audits.

The Private Sector

Private sector development and increased investment in developing countries play an important role in increased economic growth and thereby the possibility of reducing poverty. The Government of Iceland will continue to facilitate private sector development and public-private partnerships in developing countries.

There are various ways available to reinforce the private sector in the developing countries through development co-operation between public and private entities. The Government of Iceland will examine potential opportunities in this area, e.g. through consultation with representatives of the business community, NGOs and universities. At the same time, the Government will explore avenues of mobilizing the Icelandic business community in co-operation with international organizations.

2012 Reporting²

Iceland is committed to assist developing countries adapt and mitigate the adverse effects of climate change. In 2010 the Government of Iceland decided to commit 1 million US dollars to Fast Start Financing to be disbursed in 2011 and 2012, 500.000 US dollars each year. The contribution is new and additional to current ODA, and for this reason a separate item has been included on environmental and climate change matters in international development cooperation in the State budget as of 2012.

Iceland's Fast Start Finance is divided between adaptation, mitigation and capacity building, and gives special attention to women's empowerment in the field of climate change and increasing access to renewable energy sources. The funding is on grant basis and is divided between multilateral and bilateral assistance. Focus is given to Iceland's bilateral partners countries, which are all among the LDCs.

In June 2011, the Icelandic parliament adopted a parliamentary resolution on a Strategy for Iceland's Development Cooperation 2011-2014. The Strategy is based on a holistic approach to development policy, and accordingly covers multilateral and bilateral cooperation, humanitarian assistance and peace-building efforts. The Strategy also identifies international development cooperation as one of the key pillars of Iceland's foreign policy.

The Strategy introduces time-bound targets to reach the 0.7% target within the next 8 years. It lays out a gradual increase in ODA levels, with the aim of reaching 0.5% in 2017, but in 2011 the ODA level amounted to 0.21%.

One of the priority areas in the new strategy is environmental sustainability which has been identified as a cross-cutting theme. As a part of this priority area, climate change related development efforts will play an increasingly important role.

Allocation in 2011

Iceland supported five different projects as a part of its Fast start Finance allocation in 2011:

Programme or Project title	Thematic area	Beneficiary Country / Region	Partner(s)	Amount of contribution
UNFCCC Least Developed Countries Fund	Adaptation	LDCs	UNFCCC / GEF	133,500 USD
Addressing the Gender Dimensions of Climate Change on Fisheries Sector Livelihoods Interventions	Capacity Building	Malawi, Mozambique, Uganda	FAO, The Gender Equality Studies and Training Programme (GEST), ICEIDA and UNU Fisheries Training Programme	150,000 USD
The Women's Delegate Fund	Capacity building	Developing countries	Women's Environment and Development Organisation (WEDO)	40,000 USD
Development of Geothermal Energy in the Commonwealth of Dominica	Mitigation	Common-wealth of Dominica	Commonwealth of Dominica – Ministry of Public Works, Energy and Ports and the National Energy Authority of Iceland.	150,000 USD
Gender Sensitive Climate Change Mitigation and Adaptation in Uganda	Capacity building	Uganda	ICEIDA, GEST, Embassies of Norway and Denmark in Uganda, Ugandan government	26,500 USD

² Iceland (2012). Iceland's Fast start Finance – Status June 2012, 2 pp.

Planned allocation in 2012

Programme or Project title	Thematic area	Beneficiary Country / Region	Partner(s)	Amount of contribution
UN Women fund for Gender Equality (earmarked contribution for Gender and Climate Change)	Adaptation	LDCs	UN Women	100,000 USD
Addressing the Gender Dimensions of Climate Change on Fisheries Sector Livelihoods Interventions	Capacity Building	Malawi, Mozambique, Uganda	FAO, The Gender Equality Studies and Training Programme (GEST), ICEIDA and UNU Fisheries Training Programme	200,000 USD
The Women's Delegate Fund	Capacity building	Developing countries	Women's Environment and Development Organisation (WEDO)	50,000 USD
Development of Geothermal Energy in the Commonwealth of Dominica	Mitigation	Common-wealth of Dominica	Commonwealth of Dominica – Ministry of Public Works, Energy and Ports and the National Energy Authority of Iceland.	150,000 USD