

# FY 2011 Budget for International Climate Change Financing

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*An Interagency Strategy Document produced by:*

*The U.S. Department of State  
The U.S. Agency for International Development  
The U.S. Department of the Treasury*

*With information provided by:*

*The Millennium Challenge Corporation  
The U.S. Trade and Development Agency  
The U.S. Department of Energy  
The U.S. Environmental Protection Agency  
The U.S. Department of Agriculture  
The U.S. Department of Commerce  
The National Science Foundation  
The National Aeronautics and Space Administration  
The Overseas Private Investment Corporation  
The Export-Import Bank of the United States*



**“No nation, however, large or small, wealthy or poor, can escape the impact of climate change. ... The security and stability of each nation and all peoples – our prosperity, our health, and our safety – are in jeopardy. ...**

**“We cannot meet this challenge unless all the largest emitters of greenhouse gas pollution act together. There’s no other way.**

**“We must also energize our efforts to put other developing nations – especially the poorest and most vulnerable – on a path to sustained growth. ... We have a responsibility to provide the financial and technical assistance needed to help these nations adapt to the impacts of climate change and pursue low-carbon development.”**

**President Obama, September 22, 2009**

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# I. Summary

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The Administration has taken a whole-of-government approach to pursue four broad international climate change financing objectives: demonstrate continued U.S. leadership in forging a global solution to the climate challenge; help developing countries focus their climate investments strategically over the coming years; create robust means of measuring, monitoring, and verifying domestic emissions in developing countries; and reduce vulnerability to climate change. Coordinating and integrating activities from across the U.S. government promotes complementarities that enhance the value of U.S. climate-related financing and increase the likelihood of successfully realizing these four objectives.

The Administration's international climate change financing, through bilateral and multilateral channels, focuses on three policy pillars: adaptation, clean energy, and sustainable landscapes. Key results and indicators to measure progress have been identified for activities in these policy pillars and can be mapped to the Administration's four broad objectives. These activities will strengthen our relationships with other nations, help mitigate the security risk that climate change poses as a threat multiplier in the developing world, support our efforts for a comprehensive, multilateral approach to climate change that involves meaningful actions by all major economies, and create economic opportunities for manufacturers of clean energy technologies.

In its FY 2011 Budget, the Administration is seeking \$1,391 million for core international efforts to combat global climate change, which represents a 38 percent increase over the FY 2010 level. These efforts, conducted by the U.S. Agency for International Development, the U.S. Department of State, and the U.S. Department of Treasury, will help the most vulnerable countries respond to the growing impacts of climate change, and help forge a global solution to the climate crisis.

The core activities are complemented by an estimated \$104 million that is being sought for programs conducted by a range of additional U.S. agencies that directly address climate change internationally. In addition, USAID, State, and Treasury will be implementing other programs, such as food security programs, in ways that will make a significant contribution to the fight against climate change. Programs from other accounts that promote "climate-proofed" development and thereby deliver climate change mitigation and adaptation co-benefits are estimated at \$386 million.

The Administration is also enhancing U.S. efforts to address global climate change and promote clean energy technologies in important ways beyond those directly appropriated through the FY 2011 Budget. Through direct loans, loan guarantees, insurance, and working capital guarantees, U.S. development finance and export credit agencies are increasingly mobilizing investments in clean energy technologies around the world. The value of these U.S. government financial products that help American firms, financial institutions, and investors, with their foreign partners, address climate change in developing countries is estimated at \$873 million in FY 2011.

Together, these activities will substantially contribute to the international community's renewed efforts to address climate change, including through the implementation of the Copenhagen Accord, and make clear the Administration's commitment to international leadership in the necessary transition to a clean energy economy.

## II. The U.S. Approach to International Climate Financing

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Climate change is one of the century's greatest challenges, and low-carbon, climate-resilient growth must be a priority of our diplomacy and development work for years to come.

Climate change compounds pre-existing social stresses – including poverty, hunger, conflict, migration and the spread of HIV/AIDS – and threatens to significantly undermine our global development goals and diminish the habitability of our planet. The economies of many developing countries are heavily dependent on climate-sensitive industries such as agriculture, fisheries, forestry, and tourism. Poor communities are often reliant on local food and water systems that are predicted to be heavily impacted by climate change.

To avoid the worst impacts of climate change, global emissions of carbon pollution must be halved from today's levels in forty years, requiring an unprecedented transition to clean energy and dramatic reductions in deforestation rates. The International Energy Agency projects that ALL of the global increase in energy-related emissions through 2030 will occur outside the developed world,<sup>1</sup> so it will be impossible to achieve global reduction goals without significant actions from China, Brazil, Indonesia, India, South Africa, Mexico, and other major emerging economies.

Three pillars of work comprise the foundation for the Administration's \$1,391 million request for core international efforts in its FY 2011 Budget:

- Helping vulnerable countries adapt and build resilience to the impacts of climate change, particularly the least developed and small island nations that will be the most severely affected;
- Hastening the world's transition to a low-carbon economy through the development and dissemination of clean energy technologies; and,
- Increasing the sequestration of carbon stored in trees, plants, and soils.

### 2011: Strategic Objectives

The Administration's FY 2011 Budget is designed to harness both bilateral and multilateral assistance in pursuit of four broad objectives:

- **Demonstrate continued U.S. leadership in forging a global solution to the climate challenge,** by making the Copenhagen Accord operational and pursuing a global regime with meaningful participation from all major emitters. Critical provisions of the accord include undertakings to reduce emissions by all major economies, whether developed or developing; measures to ensure transparency in the implementation of those undertakings; and financing and technology support, targeted especially to the poorest and most vulnerable developing nations. In line with these provisions, the FY 2011 budget builds on the FY 2010 support for international climate assistance and moves towards the levels required to effectively combat global climate change and to help the most vulnerable countries prepare for and respond to its impacts.

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<sup>1</sup> International Energy Agency, World Energy Outlook 2009.

- **Help developing countries focus their climate investments strategically over the coming years.** The Copenhagen Accord recognizes that low-carbon planning is essential to sustainable development. By working with countries as they formulate their national climate plans, we can identify areas for future cooperation and contribute to a more effective overall effort. Given the tremendous growth projected for major emerging economies in the coming decades, these up-front investments will yield significant results over time. To take one example, a recent study suggests that “80% of the India of 2030 is yet to be built.”<sup>2</sup>
- **Create robust means of measuring, monitoring, and verifying domestic emissions in developing countries.** Boosting developing country capacity to measure, report, and verify their emissions and evaluate their emission-reduction activities informs the design of their domestic policies, provides a foundation for a range of domestic instruments to mobilize private capital, including market-based instruments, and helps ensure that countries are on track individually and collectively in delivering on their emission mitigation goals and actions.
- **Reduce vulnerability to climate change, which is substantial and increasing.** Absent significant action in the near-term, sea level rise will displace millions of people to upland areas, water availability will decline in key regions, and farmers will need to change their traditional cropping patterns. Increased resilience to climate will reduce threats to development gains in democracy, food security, health, economic growth and resource management.

## A Whole-of-Government Approach

To mobilize the widest range of resources and expertise, the Administration is taking a whole-of-government approach to international climate policy and assistance. The core international climate assistance comes from the U.S. Agency for International Development (USAID), the Department of State, and the Department of the Treasury. These agencies provide additional assistance through programs in other development sectors – such as food security, water, and health – that do not necessarily have a primary climate objective but nevertheless provide climate co-benefits.<sup>3</sup> Several other agencies provide important technical expertise and financial resources to complement the core activities. Development finance and export credit agencies help mobilize private sector investment in clean energy technologies in the developing world, helping to address climate change while expanding markets for U.S. businesses. Agencies are taking new steps to strengthen internal coordination and focus on climate strategy. The U.S. also works closely with other major donors to ensure that our investments are complementary.

The following summaries highlight each agency’s FY 2011 Budget or estimated financial activity and their key roles and expertise in supporting activities in developing countries that address climate change and promote clean energy technologies.

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<sup>2</sup> McKinsey & Company, August 2009. “Environmental and Energy Sustainability: An Approach for India.” [http://www.mckinsey.com/client-service/ccsi/pdf/India\\_Environmental\\_Energy\\_Sustainability\\_final.pdf](http://www.mckinsey.com/client-service/ccsi/pdf/India_Environmental_Energy_Sustainability_final.pdf)

<sup>3</sup> Estimates of climate co-benefits represent an initial review of funding in other development areas based on preliminary criteria that have not yet been finalized. On review, these figures are likely to change.

## **Core Agencies (\$1,391 million in core assistance, plus an estimated \$386 million in climate co-benefits assistance)**

- **The U.S. Agency for International Development (\$491 million):** USAID is the lead contributor to bilateral assistance, with a focus on capacity building, civil society building, governance programming and creating the legal and regulatory environments needed to address climate change. USAID will leverage its significant technical expertise to provide leadership in development and implementation of low-carbon strategies, creating policy frameworks for market-based approaches to emission reduction and energy sector reform, promoting sustainable management of agriculture lands and forests, and mainstreaming adaptation into development activities in countries most at risk. USAID has long-standing relationships with host country governments that will enable it to work together to develop shared priorities and implementation plans. USAID's engagement and expertise in agriculture, biodiversity, health, and other critical climate sensitive sectors provide an opportunity to implement innovative cross-sectoral climate change programs. Finally, USAID bilateral programs can work in key political and governance areas that multilateral agencies cannot. In addition to core assistance, the Budget includes an estimated \$303 million in funding that delivers climate co-benefits.
- **The U.S. Department of State (\$155 million):** State takes the lead on diplomatic efforts and deploys financial resources in support of key multilateral and bilateral priorities. State's comparative advantage is promoting effective international solutions, advanced technology strategies, and innovative market approaches through international processes and U.S.-led diplomatic partnerships and initiatives. In addition to core assistance, the Budget includes an estimated \$1 million in funding that delivers climate co-benefits.
- **The U.S. Department of Treasury (\$744 million):** The Treasury Department is the primary vehicle by which the U.S. government provides contributions through multilateral delivery channels, including the Climate Investment Funds and the Global Environment Facility. Multilateral assistance promotes institutional structures governed jointly by developed and developing countries, which are needed for a coordinated, global response to climate change. Multilateral institutions complement bilateral assistance by leveraging contributions from other donors, making capital investments in infrastructure, providing a range of tailored financial products, and working across a larger number of countries. In addition to core assistance, the Budget includes an estimated \$82 million in funding through the Global Agriculture and Food Security Program (GAFSP) that delivers climate co-benefits.

## **Complementary Agencies (\$104 million, estimate)<sup>4</sup>**

- **The Millennium Challenge Corporation: (\$25 million, estimated annualized cost):** MCC works with some of the poorest countries in the world to reduce poverty through sustainable economic growth. MCC recognizes that alleviating global poverty requires urgent attention to climate change and responsible environmental stewardship, and is committed to working with their partner countries to help them integrate climate change and other environmental and

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<sup>4</sup> Estimates of complementary agencies' international climate investments are based on an initial review of funding, and in some cases the final review of activities, after their implementation, may change the accounting of timing and scale of financing.

social considerations into their poverty reduction programs. MCC funds projects with climate benefits in areas such as clean energy and natural resources management.

- **The U.S. Trade and Development Agency: (\$21 million, estimate):** USTDA provides funding for various forms of investment analysis, including feasibility studies, technical assistance, and training, as well as orientation visits and business workshops to promote investment opportunities for U.S. companies in developing countries. USTDA has expanded its clean energy project portfolio dramatically over the last few years.
- **The U.S. Department of Energy (\$13 million, estimate):** DOE conducts joint research and development to make clean energy more affordable and efficient, including with China and India. These collaborations also help exchange information between researchers in each country. DOE's National Labs provide technical assistance to USAID, including for the development of Low-Carbon Development Strategies.
- **The U.S. Environmental Protection Agency (\$21 million, estimate):** EPA assists developing countries institute monitoring, reporting, and verification protocols for greenhouse gas emissions. EPA also supports implementation of the Montreal Protocol, which reduces emissions of ozone-depleting greenhouse gases, and advances cost-effective, near-term methane recovery and use as a clean energy source, which also reduces climate impacts.
- **The U.S. Department of Agriculture, including the U.S. Forest Service: (\$4 million, estimate):** USDA provides assistance to developing countries to establish and maintain sustainable land use management, including forests and crop land.
- **The U.S. Department of Commerce, including the National Oceanic and Atmospheric Administration and the International Trade Administration: (\$11 million, estimate):** NOAA supports the International Research Institute for Climate and Society, which works to enhance society's capability to understand, anticipate and manage the impacts of seasonal climate fluctuations in order to improve human welfare and the environment, especially in developing countries. The Department of Commerce also contributes to the Asia-Pacific Partnership on Clean Development and Climate, which promotes the development and deployment of clean energy technologies worldwide.
- **The National Science Foundation: (\$3 million, estimate):** In the developing world, NSF develops regional networks for climate change research, funds cooperative research, and promotes science-driven capacity building, in cooperation with USAID under a new Memorandum of Understanding.
- **The National Aeronautics and Space Administration: (\$6 million, estimate):** NASA co-funds with USAID two web-based regional monitoring networks using satellite and in situ information along with models to provide environmental (land, sea, atmosphere, biota) information and projections to decision makers in Central America/Caribbean and East Africa, which will be extended to global reach through FY 2010 and FY 2011 funding.

**Development Finance and Export Credit Agencies (\$873 million, estimated value of financial products)<sup>5</sup>**

- **The Overseas Private Investment Corporation (\$610 million, estimated project commitments):** OPIC provides financing and political risk insurance for U.S. companies investing in a range of projects in developing and emerging countries. OPIC currently has significant finance and insurance exposure in renewable energy and clean technology projects, and is increasing its investments in this sector, while reducing its overall greenhouse gas emissions in its portfolio. In FY 2011, OPIC's portfolio will leverage an estimated \$1,009 million in total climate-related investments.
- **The Export-Import Bank of the United States (\$263 million, estimated authorizations):** Ex-Im provides financial support for exports for renewable energy and energy efficiency projects in developing countries, through direct loans, loan guarantees, insurance, and working capital guarantees. Ex-Im is increasing its focus on the greenhouse gas impacts of its portfolio. Ex-Im Bank is also actively increasing support for renewable energy exports through program enhancements. In FY 2011, Ex-Im's portfolio will leverage an estimated \$302 million in total climate-related investments.

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<sup>5</sup> Estimates of development finance and export credit agencies' international climate investments are based on an initial review of planned projects, and in some cases the final review of activities, after their implementation, may change the accounting of timing and scale of financing.

## III. The FY 2011 Core Programs

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### Overview

The Administration's FY 2011 budget for core international climate programs is designed to effectively deliver assistance through both bilateral and multilateral channels in three broad areas: taking prompt, substantial action to help vulnerable countries adapt and build resilience to the impacts of climate change; reducing greenhouse gas emissions through clean energy; and sequestering carbon through forests and land use management.

The programs in the FY 2011 Budget are built on these pillars:

1. **Adaptation**
2. **Clean Energy**
3. **Sustainable Landscapes** (Forests and Land Use Management)

In support of these pillars, the FY 2011 Budget puts special emphasis on the following enabling activities: Monitoring, Reporting, and Verification (MRV) Systems and Low-Carbon Development Strategies (LCDS).

The allocation of international public finance between these pillars will adjust over time. In the near term, as reflected in the FY 2011 Budget, the public finance need is weighted toward clean energy, with around half of the public finance need. Forestry and adaptation approximately split the other half. This is because there are presently more achievable and cost-effective opportunities for clean energy deployment than there are for investment in adaptation and sustainable landscapes; additionally, carbon markets have not yet developed into a major source of clean energy financing. Over time, the distribution between these categories may shift as private finance mobilizes to support clean energy and sustainable landscapes, and adaptation needs increasingly require public support.

The remainder of this section describes the programs for core international assistance; provides examples of activities, results, and performance indicators; and explains the nature of the work by each agency.

## 1. Adaptation (\$334 million)

Developing countries are highly vulnerable to climate variability and change and have the least capacity to respond. Absent significant action in the near-term, sea level rise will displace millions of people in some areas while drought in other regions will increase the risk of water scarcity, land degradation, food insecurity and famine. Anticipated effects of climate change represent a threat to hard-won development gains in democracy, food security, health, economic growth, and resource management. By reducing vulnerabilities to long-term climate change impacts early, it is possible to lessen the economic costs and the human toll, to enhance global stability, and to increase the impact of ongoing development efforts. A number of studies suggest that every dollar spent in disaster risk reduction saves several times its value in humanitarian assistance.

Successful adaptation requires good information through investments in **science, analysis, and dissemination of information for decision making**, to identify the greatest vulnerabilities to climate change, whether in terms of the potential for reduced agricultural production, economic damages to infrastructure related to storms, or lives lost to increased disease burdens. These investments include improved climate information and predictions and diffusion of information, evidence-based analysis to identify vulnerable sectors, populations, and regions, and evaluation of the costs and benefits of potential adaptation strategies. Providing this information to public officials, business people, community leaders and others in developing countries will help promote sound planning and effective governance for climate resilience.

**Governance systems** must be inclusive, transparent, and responsive to the needs of their constituents. These systems must be able to fully integrate scientific information into decision-making and on-the ground operational changes. Protecting human lives and livelihoods will require targeting societies that are the most vulnerable to potential climate change disasters such as sea-level rise, floods, cyclones and droughts.

Finally, adaptation programs must **implement climate solutions** as integrated components of other development activities that are compromised by climate variability and change.

### Science and Analysis for Decision-Making

Illustrative Activities	<ul style="list-style-type: none"> <li>• Development of models to support adaptation policy and response</li> <li>• Dissemination of climate and weather information to remote rural areas</li> </ul>
Results	<ul style="list-style-type: none"> <li>• Improved natural resource management</li> <li>• Remote sensing capability supports forest carbon market</li> <li>• Improved capacity to monitor and predict climate and weather extremes</li> <li>• Climate change impact information incorporated into food security monitoring and analysis</li> </ul>
Indicators	<ul style="list-style-type: none"> <li>• Number of SERVIR climate data hubs functioning</li> <li>• Number of sectors with improved models and predictions on rainfall</li> </ul>

### Effective Governance for Climate Resilience

Illustrative Activities	<ul style="list-style-type: none"> <li>• Capacity building among decision-makers to use hydro-meteorological data to support climate adaptation</li> <li>• Improving planning processes to more effectively use financial resources for climate change adaptation</li> <li>• Capacity building of public health systems to respond to climate risks in Africa</li> </ul>
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Results	<ul style="list-style-type: none"> <li>Improved multi-sectoral decision-making at government and community levels to reduce risk to climate-related disasters</li> <li>Public responses to food insecurity, public health threats, and natural disasters are more effective</li> </ul>
Indicators	<ul style="list-style-type: none"> <li>Millions of people with reduced risk to climate disaster</li> <li>Number of countries with early warning system linked to response system</li> <li>Number of climate-related disputes brought to the judicial system and peacefully resolved</li> </ul>

### Implementation of Climate Solutions

Illustrative Activities	<ul style="list-style-type: none"> <li>Urban flood water management through improved canal maintenance</li> <li>Flood and storm surge mitigation through forest and coastal habitat protection</li> <li>Drought mitigation through improved land-use</li> </ul>
Results	<ul style="list-style-type: none"> <li>Targeted coastlines, water catchment and urban areas regions buffered/improved to better withstand climate change and associated natural disasters</li> <li>Reduced impact of rainfall variability on agricultural production</li> </ul>
Indicators	<ul style="list-style-type: none"> <li>Km of coastline buffered</li> <li>Hectares of forests restored</li> <li>Number of farms using water-efficient practices</li> </ul>

**USAID** (\$187 million) programming seeks to address each of these three key adaptation requirements.

The objective of the **science and analysis** program area is to develop tools and methodologies to help decision makers at all levels of society understand how climate change may affect their jurisdictions and enterprises and equip them to integrate climate change information into their decisions. USAID uses proven approaches to providing access to U.S. and other satellite data, historical weather data, and projections of climate change to assist decision makers. Proposed programming includes:

- Developing tools for dissemination and analysis of information on weather and climate, including SERVIR for natural disasters and environmental threats and FEWSNET for emerging and evolving food security issues.
- Multi-stakeholder participatory planning for long-term development goals and the climate risks that could disrupt progress. This process will draw from existing National Adaptation Programs of Action and Poverty Reduction Strategy Plans, rationalizing and aligning goals and efforts to achieve them.
- Building capacity of national, regional, and international entities on climate monitoring, predictions and applications, and hydro-meteorological extremes to reduce vulnerability to climate variability and change.

USAID will invest in **effective governance for climate resilience** through development of national and community-based disaster management and risk reduction plans, national health service plans, and enabling policies; training for local civil servants and community leads to deliver services; and organizing private sector and civil society organizations to advocate for climate change solutions. Proposed programming includes:

- Disaster risk reduction programs identify weaknesses in existing systems and build resilience of communities to hazards.

USAID will support the **implementation** of adaptation strategies to strengthen development programs in infrastructure, health, water, agriculture, disaster risk reduction, conflict, natural resources management, and other sectors. Climate change adaptation approaches will be designed to address the

specific needs of local communities to preserve development gains and avoid humanitarian crises related to climate such as flood, cyclone, and drought. Proposed programming includes:

- Drought mitigation through water harvesting, water-efficient agricultural practices, and improved land-use techniques;
- Community-based flash flood management programs that include flood-proofing homes in the poorest flood-prone villages in the Mekong Delta, implementing flood early warning systems, and addressing broader trans-boundary water issues.

**Least Developed Country Fund** (\$30 million, State) and **Special Climate Change Fund** (\$20 million, State): The LDCF and SCCF are multilateral funds that provide financing to developing countries to help them adapt to the impacts of climate change, with a specific focus on assisting the most urgent adaptation needs of least developed countries. The most important sectors of engagement have been agriculture and food security, water supply, coastal management, and public health. State also funds multilateral adaptation activities through the **United Nations Framework Convention on Climate Change** (UNFCCC) (\$7 million).

**Pilot Program for Climate Resilience** (\$90 million, Treasury): The PPCR will finance – in a limited number of developing countries – comprehensive efforts to improve the technical capacity of countries to plan for and, on a programmatic basis, finance actions that respond to risks from the changing climate. The PPCR will make use of the significant expertise and well established assistance processes of the multilateral development banks, including the ability to help other countries learn from these efforts.

## 2. Clean Energy (\$710 million)

Clean Energy programs **reduce greenhouse gas emissions from energy generation and energy use** by accelerating the deployment of clean energy technologies, policies, and practices. USG assistance will maximize carbon reductions through clean energy expenditures in four priority areas: 1) energy efficiency, 2) low-carbon energy, 3) clean transport, and 4) energy sector reforms that are preconditions for sustainable clean energy development, including the preparation of investment projects for carbon financing. In the near term, emissions reductions will follow from long standing policy and sector reform efforts; over the longer term, introduction of a mid-century or longer planning and investment horizon can produce transformative results for low-emissions economic growth.

Illustrative Activities	<ul style="list-style-type: none"> <li>• Energy Efficiency: energy policy reforms; technology transfer and adoption; promotion of demand-side management techniques</li> <li>• Renewable Energy: energy policy reforms; financing facilitation; deployment; development of clean energy SMEs</li> <li>• Energy Sector Reforms: regulatory reform; capacity building of regulatory bodies; reduction of system losses; utility performance improvement</li> </ul>
Results	<ul style="list-style-type: none"> <li>• More efficient utilization of energy supplies</li> <li>• Increased utilization of renewable energy supplies</li> <li>• Increased number of people served from renewable energy supplies</li> <li>• Reduction in system losses</li> <li>• Improved cost recovery and cost reflective pricing</li> <li>• Reduction of public energy subsidies</li> </ul>

Indicators	<ul style="list-style-type: none"> <li>• Energy savings (kWh)</li> <li>• Tons of carbon emissions reduced</li> <li>• New renewable energy supplies (kW)</li> <li>• Number of people served</li> <li>• Technical and commercial losses (%)</li> <li>• Number of regulations/laws improved</li> </ul>
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The bulk of USG assistance for clean energy deployment will be delivered through **three multilateral trust funds**. These funds will take advantage of large-scale abatement opportunities that currently exist, and establish investment channels for the larger private sector financing from anticipated carbon markets. Rather than financing the entire projects, these funds provide incremental funding to encourage redirection of the existing resources of the multilateral institutions and leverage as much private finance as possible.

- **The Clean Technology Fund** (\$400 million, Treasury): The CTF aims to close the price gap in developing countries between dirtier conventional technologies and commercially available cleaner alternatives in the power sector, the transportation sector, and in energy efficiency. The CTF focus is on transforming energy use on a sector scale in the larger emitter developing countries.
- **The Program for Scaling-up Renewable Energy in Low Income Countries** (\$50 million, Treasury): SREP aims to demonstrate how to put the poorest countries on a pathway that uses renewable energy to expand energy access, and stimulate economic growth. SREP will work in a small number of countries to generate and disseminate global knowledge about how to develop government support for market creation, private sector implementation, and productive energy use.
- **The Global Environment Facility** (\$58 million, Treasury): The GEF finances projects in the areas of renewable energy, energy efficiency, and sustainable transportation. A clear focus of the GEF is to help identify key barriers to the adoption of new technologies and practices, and fund broadly applicable projects that demonstrate how to overcome these barriers.

**USAID** (\$129 million) works to create the policy and regulatory environments and provide the leading edge technical assistance that is needed to support the long-term, sustainable energy investments by the public and private sectors that the multilateral funds promote. Examples of recent efforts include work in Liberia to promote solar energy in schools, clinics, and other public institutions (resulting in the provision of energy services to 20,000 people); energy audits and energy efficiency investments in industrial plants in Ukraine; and the development of a regional power pool in Southern Africa.

**The State Department** (\$74 million) funds clean energy programs in support of strategic bilateral diplomatic partnerships as well as multilateral efforts. The Major Economies Forum on Energy and Climate (MEF) provides an avenue for supporting low-carbon technology projects and programs of interest to key emerging economies, including China, India, Brazil, South Africa, Mexico, and Indonesia. The Methane-to-Markets Partnership uses State funding and EPA’s technical expertise to deploy innovative methane capture technologies. State also funds multilateral clean energy activities through the Montreal Protocol for the Protection of the Ozone Layer and the United Nations Framework Convention on Climate Change (UNFCCC).

### 3. Sustainable Landscapes (\$347 million)

Sustainable Landscapes programs **reduce net greenhouse gas emissions from forests and land use**. Land-based greenhouse gas emissions, including those from deforestation and agriculture, comprise a significant portion of the world’s total greenhouse gas emissions. These emissions, in particular those associated with tropical deforestation, are potentially among the most cost-effective mitigation opportunities.

Improved land-use practices can 1) reduce emissions from deforestation and agriculture, and 2) enhance carbon storage through reforestation, rehabilitating degraded lands, agroforestry, and soil conservation practice. Investments to avoid these emissions and increase sequestration can also support development goals – such as economic growth, food security, good governance, and health – and have significant co-benefits in terms of biodiversity preservation and other local environmental priorities (e.g., cleaner air, cleaner water).

Capacity to implement programs to reduce land-based emissions varies between countries, and in many cases significant investment in governance and institutional reforms, is necessary before large-scale private sector funding (e.g., from offsets markets) is feasible. Given the uncertainties involved in the development of a market for forest offsets, public finance will be useful in developing and testing successful, replicable, and scalable approaches.

Illustrative Activities	<ul style="list-style-type: none"> <li>• Improving forest carbon stock inventory capabilities</li> <li>• Improving land-use laws, regulations, tax policy, and their implementation</li> <li>• Clarifying property rights to facilitate payment for ecosystem services (PES)</li> <li>• Implementing ecosystem service payment schemes</li> <li>• Improving agricultural land use</li> </ul>
Results	<ul style="list-style-type: none"> <li>• Reduced emissions from land-use activities</li> <li>• Enhanced carbon storage and sequestration through improved land-use; increased incomes through sustainable resource management</li> </ul>
Indicators	<ul style="list-style-type: none"> <li>• Number of hectares under improved resource management</li> <li>• Number of improved regulations/laws</li> <li>• Tons of carbon emissions reduced or avoided</li> </ul>

**USAID** (\$175 million) undertakes a wide range of activities to reduce land-based emissions, including advice on relevant laws and regulations, building capacity to protect landscapes, clarifying land and natural resources ownership, and involving communities in conservation. Some examples of effective USAID programs include: support of watershed protection through payments from municipal water utilities to upstream communities for preventing deforestation in Vietnam; aggregating the woodlots of thousands of small farmers in Kenya and compensating them for planting and maintaining small woodlots, with the long-term goal of selling the carbon sequestered on the carbon market, and sharing revenues with small landowners; and using the U.S. Forest Service to improve forest management and emissions inventory capabilities in Brazil, Bangladesh, Russia, and Liberia.

**Tropical Forest Conservation Act** (\$20 million, Treasury): TFCA authorizes bilateral debt relief for low and middle-income countries to support conservation of tropical forests. Under the program, treated debt is “redirected” to enable a forest fund in the beneficiary country to make grants to local NGOs and other entities engaged in forest conservation. TFCA is providing leading-edge experience in financing of forest protection.

The following multilateral programs provide a broad array of financing structures to promote sustainable landscapes:

- **Global Environment Facility** (\$32 million, Treasury): The GEF assists developing countries on a project-by-project basis to reduce greenhouse gas emissions from the forest and land use sectors by building their capacity and improving the legal and regulatory frameworks associated with sustainable forestry and land management.
- **Forest Investment Program** (\$95 million, Treasury). The FIP will support activities informed by national plans to reduce deforestation and will focus on transitioning a small number of developing countries to participation in carbon financing for forest preservation.
- The State Department supports the World Bank **Forest Carbon Partnership Facility** (\$15 million), to help developing countries measure forest carbon stocks and design deforestation emissions reductions strategies. State funds **international conservation programs** (\$8 million) supporting multilateral natural resource management treaty organizations that address climate change. State also funds multilateral sustainable landscapes activities through the **United Nations Framework Convention on Climate Change** (UNFCCC) (\$2 million).

## Enabling Activities

To support meaningful, lasting emissions reductions, and plan for climate resilient development, it will be necessary to strengthen monitoring, reporting, and verification systems and to assist developing countries in the shaping of low-carbon development strategies. Both of these efforts are funded out of the clean energy and sustainable landscapes pillars, but also support the adaptation pillar.

## Monitoring, Reporting, and Verification Systems

Effective **monitoring, reporting, and verification (MRV) systems** and carbon market readiness will be vital to mobilizing private capital to invest in developing country climate actions, to ensuring that countries are delivering on individual and collective climate emission mitigation goals, and to promoting confidence and credibility that all countries are standing behind their commitments and actions in international agreements.

Illustrative Activities	<ul style="list-style-type: none"> <li>• Develop and test MRV tools</li> <li>• Assist in development of national and facility level emission inventory and measurement systems</li> <li>• Launch Market Transparency Index with performance ratings</li> <li>• Build capacity for emissions monitoring at project and sectoral level</li> <li>• Develop policies that enable stewards of forests, grasslands, and other landscapes to benefit from results-based approaches, including market instruments</li> </ul>
Results	<ul style="list-style-type: none"> <li>• Promotes better measurement and reporting of emissions and policies</li> <li>• Helps mobilize private capital to finance emissions reductions</li> <li>• Provides information about emissions reduction progress</li> <li>• Supports market-based approaches that enable cost-effective emissions reductions</li> <li>• Carbon-rich ecosystem countries have tools to participate in global market</li> <li>• Opens up investment opportunities for U.S. firms pursuing carbon offsets</li> </ul>

Indicators	<ul style="list-style-type: none"> <li>• Number of high-quality MRV systems adopted</li> <li>• Number of projects consistent with relevant MRV requirements</li> <li>• Emissions reductions achieved, number of deals brokered (including those with U.S. companies), and dollars invested through carbon financing of private sector and NGO, sub-national, and national projects</li> </ul>
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**USAID** will help 10-20 high-performing developing countries institute effective MRV systems. USAID will build institutional capacity to establish and use methodologies for quantification of baselines and verification of changes in carbon storage and emissions at the project and/or national level. The analysis of MRV systems will also serve to inform the design of better domestic policies in developing countries. Interventions will also address policy and regulatory barriers to participation in both compliance and voluntary markets, and will build capacity in the financial sector to support and manage market-based approaches. USAID will also work with host country partners to build their capabilities to ensure that fund transfers occur in a transparent manner and reach important beneficiaries such as rural and indigenous communities.

### Low-Carbon Development Strategies

A global agreement that involves action by all countries to stem emissions growth is key to changing the global greenhouse gas emissions trajectory. **Low-carbon development strategies (LCDS)** can assist countries identify and select the optimal policies for them in order to achieve a low-emissions trajectory. They can also be used to guide assistance from developed countries to implement these plans. The Copenhagen Accord will stimulate significant efforts in a broad range of countries to articulate their low-carbon strategies, and engaging actively in their development will help promote effective actions and inform U.S. support for a sustained climate effort over time.

Illustrative Activities	<ul style="list-style-type: none"> <li>• Economic and energy system modeling</li> <li>• Cost-benefit analyses of proposed policy reforms, investments</li> <li>• Emissions inventories and projections</li> </ul>
Results	<ul style="list-style-type: none"> <li>• Select most cost-effective carbon offset projects</li> <li>• Identify and generate broad support for cost-effective, politically feasible reforms</li> </ul>
Indicators	<ul style="list-style-type: none"> <li>• Completion of low-carbon development strategies that contain measurable, reportable, and verifiable actions</li> <li>• Actions that generate measurable emissions reductions</li> </ul>

Several bilateral and multilateral donors, as well as private organizations, have expressed an interest in supporting LCDS. U.S. support for LCDS will be coordinated across USG agencies and with these donors. Assistance will be channeled through multilateral funds, primarily the **Global Environment Facility**, and bilaterally through **USAID**, with technical support from EPA, Department of Energy, Department of Agriculture, and other agencies. The State Department will play an interagency coordinating role. U.S. bilateral assistance will focus on a core set of approximately 30 countries over the next four years where our participation will leverage the greatest impact.

**“We understand the gravity of the climate threat. We are determined to act. And we will meet our responsibility to future generations.”**

**President Obama, September 22, 2009**

## Appendix: Funding Tables

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### Summary of Core International Climate Assistance (Budget Authority, \$ in millions)

	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Budget
<b>Adaptation</b>			
USAID	24	123	187
State	0	67	57
Treasury	0	55	90
<b>Subtotal Adaptation</b>	<b>24</b>	<b>244</b>	<b>334</b>
<b>Clean Energy</b>			
USAID	100	109	129
State	43	96	74
Treasury	26	326	508
<b>Subtotal Clean Energy</b>	<b>169</b>	<b>531</b>	<b>710</b>
<b>Sustainable Landscapes</b>			
USAID	90	152	175
State	13	40	25
Treasury	20	40	147
<b>Subtotal Sustainable Landscapes</b>	<b>123</b>	<b>233</b>	<b>347</b>
<b>Total Core Assistance</b>	<b>315</b>	<b>1,007</b>	<b>1,391</b>

Note: Line items may not sum exactly to totals due to rounding.

## Core International Climate Assistance

(Budget Authority, \$ in millions)

	FY 2011 Budget
<b>Adaptation</b>	
USAID Adaptation	187
State	
<i>Least Developed Country Fund (LDCF)</i>	30
<i>Special Climate Change Fund (SCCF)</i>	20
<i>United Nations Framework Convention on Climate Change (UNFCCC)*</i>	7
Subtotal State Adaptation	57
Treasury	
<i>Pilot Program for Climate Resilience (PPCR)</i>	90
Subtotal Treasury Adaptation	90
<b>Subtotal Adaptation</b>	<b>334</b>
<b>Clean Energy</b>	
USAID Clean Energy	129
State	
<i>Major Economies Initiatives and Programs</i>	30
<i>Methane to Markets</i>	5
<i>Montreal Protocol</i>	24
<i>Western Hemisphere Affairs</i>	10
<i>United Nations Framework Convention on Climate Change (UNFCCC)*</i>	5
Subtotal State Clean Energy	74
Treasury	
<i>Clean Technology Fund (CTF)</i>	400
<i>Program for Scaling-up Renewable Energy in Low Income Countries (SREP)</i>	50
<i>Global Environment Facility (GEF)*</i>	58
Subtotal Treasury Clean Energy	508
<b>Subtotal Clean Energy</b>	<b>710</b>
<b>Sustainable Landscapes</b>	
USAID Sustainable Landscapes	175
State	
<i>World Bank Forest Carbon Partnership Facility</i>	15
<i>International Conservation Programs</i>	8
<i>United Nations Framework Convention on Climate Change (UNFCCC)*</i>	2
Subtotal State Sustainable Landscapes	25
Treasury	
<i>Tropical Forest Conservation Act (TFCA)</i>	20
<i>Global Environment Facility (GEF)*</i>	32
<i>Forest Investment Program (FIP)</i>	95
Subtotal Treasury Sustainable Landscapes	147
<b>Subtotal Sustainable Landscapes</b>	<b>347</b>
<b>Total Core Assistance</b>	<b>1,391</b>

Note: Line items may not sum exactly to totals due to rounding.

\*Program is funded under multiple pillars.

### Co-Benefits International Climate Assistance

(Estimated Budget Authority, \$ in millions)

	FY 2011 Budget Estimate
USAID	303
State	1
Treasury	82
<b>Total Co-Benefits Assistance</b>	<b>386</b>

### Complementary Agencies

(Estimated Budget Authority, \$ in millions)

	FY 2011 Budget Estimate
Millennium Challenge Corporation (annualized cost)	25
US Trade and Development Agency	21
Department of Energy	13
Environmental Protection Agency	21
Department of Agriculture	4
Department of Commerce, including the National Oceanic and Atmospheric Administration and the International Trade Administration	11
National Science Foundation	3
National Aeronautics and Space Administration	6
<b>Total Complementary Agencies</b>	<b>104</b>

### Development Finance and Export Credit Agencies

(Estimated Value of Financial Products, \$ in millions)

	FY 2011 Budget Estimate
Overseas Private Investment Corporation	610
Export-Import Bank of the United States	263
<b>Total Development Finance and Export Credit Agencies</b>	<b>873</b>

**Climate Investment Funds – Excerpt from Core Assistance**  
(Budget Authority, \$ in millions)

	FY 2011 Budget
Clean Technology Fund (CTF)	400
Strategic Climate Fund (SCF)	
<i>Pilot Program for Climate Resilience (PPCR)</i>	90
<i>Program for Scaling-up Renewable Energy in Low Income Countries (SREP)</i>	50
<i>Forest Investment Program (FIP)</i>	95
Subtotal Strategic Climate Fund	235
<b>Total Climate Investment Funds (CIF)</b>	<b>635</b>