

CO-CHAIRS' SUMMARY

28-29 May 2009

Joint High-Level Meeting of the OECD Development Assistance Committee (DAC)
and the Environment Policy Committee (EPOC)

CO-CHAIRS' SUMMARY

JOINT HIGH-LEVEL MEETING OF THE OECD DEVELOPMENT ASSISTANCE COMMITTEE (DAC) AND THE ENVIRONMENT POLICY COMMITTEE (EPOC)

OECD Headquarters, Paris
28-29 May 2009

Seventy-five high level representatives, including thirteen Ministers, Vice Ministers and Heads of Agencies, participated in this OECD Development and Environment Joint High Level Meeting. Representatives from all thirty OECD member countries and five countries undergoing accession to the OECD were present. Seventeen OECD Ambassadors also attended, as did seven representatives of International Governmental Organisations. Some two-hundred and fifty delegates took part overall. Such a large number of participants provides ample evidence, in and of itself, of the pressing need for action toward better development-environment integration.

We endorsed two documents during the course of this meeting: the *Policy Statement* and the *Policy Guidance on Integrating Climate Change Adaptation into Development Co-operation*. We also took note of the *Progress Report* that will be submitted to OECD Development and Environment Ministers. Last, but not least, we laid out an ambitious, forward looking agenda for deepening the partnership between the development and environment communities.

Environment and Development: A New Impetus

In our opening remarks, we reminded participants that the meeting had two basic objectives:

- To take stock of the progress achieved on environment-development integration, particularly since DAC and EPOC met at Ministerial level in 2006. Of particular relevance in this context is the important work that has been accomplished by the three joint Task Teams established after the 2006 meeting and that is reflected in the Report to Environment and Development Ministers.
- To lay out a forward-looking agenda to further deepen the partnership between these two communities to tackle pressing and critical issues at the nexus of environment and development. A particular focus of this meeting was on four such areas: sustainable financing for water supply and sanitation, financing for climate change adaptation, capacity development and governance for environmental management, and supporting low-carbon development paths.

We also noted that our overall long-term goal is for the environment and development communities to work more coherently, both within our own countries and with our partners in developing countries. Development gains, particularly in the poorest countries are now at risk in the face of the financial crisis, climate change and volatility in food and energy prices. It is therefore critical for us to take a long term perspective, while addressing issues that require immediate political attention.

In this context it is fitting that this Joint High Level Meeting has chosen to put climate change on the agenda. Indeed, the UNFCCC's Bali Action Plan, along with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action are three pillars that underpin our work today.

In his welcome address Mr. Mario Amano, Deputy Secretary General of the OECD reminded us how the times have changed since the 2006 Environment-Development Ministerial. International donors are no longer simple observers but active participants in the international negotiations on financing action on climate change, one of the critical issues in the lead-up to the Copenhagen climate conference later this year. "Green growth" is no longer a concept just for supporters of the environment but a high economic policy priority in the wake of the economic crisis. And the Accra Agenda for Action is turning into practice the principle of mutual accountability between donors and recipients. Aid for the environment will therefore need to be viewed through the lens of Accra.

In this new landscape, the need for continued collaboration between DAC and EPOC is more relevant than ever before – a message that was reinforced by Mr. Eckhard Deutscher, chair of the DAC and Mr. Mats Olsson, vice chair of EPOC. Development co-operation actors are increasingly recognizing the critical importance of sound environmental management to underpin pro-poor economic growth. OECD environmental agencies have much expertise to offer to make this happen. They also recognize that the world’s environmental challenges cannot be addressed by OECD countries acting in isolation. Close collaboration between environment and development co-operation ministries and agencies is therefore essential.

Sustainable Financing of Water Supply and Sanitation

Mr. Masaki Suzuki (Assistant Vice Minister, Ministry of Environment, Japan) and Mr. Martin Dinham (Director General International, Department for International Development, UK) led the discussion.

Mr. Suzuki noted that most OECD countries have taken the current economic and financial crisis as an opportunity to promote environment-friendly development. In the area of development co-operation as well, the focus should be on supporting long run sustainable development. With respect to water and sanitation, this will require a comprehensive approach. Such an approach would need to address not just water and sanitation, but also water pollution prevention, ecosystem conservation and the promotion of integrated water resource management. This will entail a broad partnership involving all donors, international organizations, and other stakeholders.

Mr. Dinham emphasized that achieving the water and sanitation-related Millennium Development Goals (MDGs) will be critical to reaching other MDGs, notably those concerning poverty reduction, education and gender equality. This will require significant financing but is achievable, given the right mix of approaches and instruments and better targeting of aid to countries most in need. In this context, he welcomed recent OECD work on “Strategic Financial Planning” and encouraged members to agree on concrete actions to support developing countries’ efforts to achieve their water and sanitation targets.

The subsequent discussion highlighted the following key messages:

- Of the “4F crises”, food, fuel, finance and freshwater, freshwater is the least well-recognised – it is the silent crisis. This lack of visibility of the sector hinders resource mobilization for the sector.
- Achieving the water and sanitation-related MDG will be critical to reaching other MDGs, notably those concerning poverty reduction, education and gender equality. This will require significant financing. Climate change is exacerbating many of these challenges and adding to the urgency of action.
- ODA resources need to be scaled-up, but they will remain limited and will have to be used strategically, where they are most needed. The contribution of OECD countries must be more than just direct, capital assistance, but support for the mobilisation of all financing sources including from the private sector in a creative way.
- Helping improve governance and management of the water sector, including demand-side aspects, through capacity development (at all levels) and technology cooperation is another critical role of Official Development Assistance (ODA).
- Measures and mechanisms to further improve the effectiveness of aid for water and sanitation are needed, including better donor co-ordination. We must also monitor more closely the impacts of our aid to the water and sanitation sector rather than just focusing on inputs.
- Individual projects designed within the broad framework of a national strategy will have a greater chance for success if they are well integrated into a broader support network and reflect a consensus of needs, in other words, if they are in line with key aid principles such as alignment and ownership.

- Applying “Strategic Financial Planning” and increasing finance from the “3Ts” (tariffs, taxes, transfers) is key to financial sustainability and to attracting funds from capital and financial markets and to scale up efforts-up. Donors can help facilitate these processes and develop capacity, but developing country partners need to lead them. Finance Ministries, in particular, have a critical role to play in these processes.
- The challenge of sustainable water resource management requires more than just addressing access to water and sanitation. It requires addressing issues relating to pollution prevention, ecosystem conservation, and promoting more integrated water resource management.

Financing for Climate Change Adaptation

Mr. Paavo Väyrynen (Minister for Foreign Trade and Development, Finland) and Mr. Bruno Oberle (Director of the Federal Office for the Environment, Switzerland) led the discussion.

Mr. Väyrynen emphasised that financing for climate change (adaptation and mitigation) needs to be viewed within the broader context of financing for development. He noted that financing for climate change should be used according to the same principles and use existing channels as development assistance. He emphasised the need for innovative financing in light of the financial crisis, and for improved policy coherence in particular between climate and trade policies.

Mr. Oberle highlighted the important catalytic role that Official Development Assistance (ODA) will continue to play in promoting adaptation. He emphasised that OECD member countries should strive to demonstrate the positive development effects of well coordinated and cost-effective climate change adaptation measures that are based on sound and balanced national adaptation plans. Mr. Oberle reminded us that the potential for new innovative mechanisms for adaptation funding remains largely untapped. He also proposed that OECD countries explore ideas to generate climate change budgets based on the polluter pays principle.

The subsequent discussion highlighted the following key messages:

- It is critical to mobilize and scale-up predictable financing going beyond current ODA commitments to support developing countries in their efforts to adapt to climate change and to ensure that such financing reaches the most vulnerable countries and populations. Negotiations on the way to Copenhagen provide a key momentum towards this goal and further co-operation and co-ordination between Development and Environment Ministries and agencies is stimulated.
- Co-operation between environment and development ministers on adaptation offers advantages because of shared knowledge about international sources of funding and finance modalities, and about the specific problems of climate change and adaptation in developing countries.
- The Bali Action Plan recognises that adaptation should be an important part of climate change negotiations, with appropriate attention to predictable sources of financing; new and innovative methods of financing; and mobilisation of new financing and investment, both private and public.
- Additional public sources will be a critical component of such financing and the reaching of this agreement in Copenhagen. Public financing to support adaptation in developing countries needs to take into account the solidarity principle and the polluter pays principle, as well as the principle of common but differentiated responsibility.
- Development objectives and adaptation strategies are strongly intertwined in many cases, therefore ODA will continue to play an important role in promoting adaptation. There is also a need to ensure that financing for adaptation goes hand in hand with poverty reduction objectives.
- Public financing, however, would not be enough to address the costs of adaptation. There is therefore also a need to simultaneously mobilise resources and leveraging private sector resources through innovative

sources of financing. The potential for new innovative mechanisms for adaptation funding remains largely untapped, and participants discussed the main proposals in this direction.

- Climate change financing must be provided in line with principles of aid effectiveness. In particular, there is a need to ensure that climate change financing mechanisms encourage broad national ownership, strengthen national capacity to address climate change and promote coherent approaches to development and climate change challenges.
- Mobilising financing from various sources should be viewed in conjunction with issues related to how the funds are allocated and transferred, and how they are used. National policies, laws and regulations could offer possibilities for aligning adaptation to development priorities. National initiatives in partner countries should be encouraged and can be supported by donors. Good governance and an enabling environment are critical to effective use of adaptation financing and successful adaptation initiatives.
- There is a need for clear and more robust criteria to monitor financing for adaptation. The role of the OECD in this regard, and in tracking financing for adaptation, was noted. Furthermore, the OECD should ensure that there is a coherent donor approach to adaptation.

Capacity Development and Governance for Environmental Management in the Context of the Accra Agenda for Action

Mr. Byung-Wook Lee (Vice Minister for Environment, Republic of Korea) and Mr. Adolf Kloke-Lesch (Director General, Federal Ministry for Economic Co-operation and Development, Germany) led the discussion.

Mr. Lee noted that failure to fully integrate environmental considerations in development policies, programmes and projects can undermine the effectiveness of aid. He indicated that in the context of the Accra Agenda for Action, more efforts are needed to help partner countries understand the importance of improved environmental sustainability for their development, the opportunities for green growth, and thus increase their environmental ownership.

Mr. Kloke-Lesch emphasised that improved environmental governance and management contribute to achieving development goals and should be integrated at the centre of today's development strategies and programmes. He indicated that long term dialogues are needed to ensure that improved environmental governance and management are placed high on the political agenda.

The subsequent discussion highlighted the following key messages:

- Weak governance of environment and natural resources is undermining development in many developing countries. Key affected sectors include agriculture, energy, fisheries, forestry, mining and water resources.
- The climate change challenge is increasing the urgency of improved natural resources management. Capacity development for climate change adaptation and mitigation is a priority.
- The failure to fully integrate environmental considerations in development policies, programmes and projects has undermined the effectiveness of aid. The Accra Agenda for Action provides a new impetus to address this issue, while emphasizing the capacity development support must be demand-driven and rooted in developing countries' own policies and strategies.
- Improved capacities are needed at all levels, from local to national. But development co-operation agencies also need to develop their own capacities to support those efforts.
- Improved co-ordination of donor's initiatives is also needed. This includes bilateral donors and multilateral financial institutions.

- Improved environmental governance and management is a precondition to achieving development goals. The principle of sustainable development should be integrated at the centre of today's poverty reduction and development strategies and programmes in all sectors and at all levels.
- Improving human and institutional capacities is essential for country-wide approaches to environmental management can take hold. Donors should also help civil society and local organisation play an active role in ensuring that national resources are managed in an effective, equitable and transparent way.
- Many policy solutions and tools to support improved environmental governance and management are already available. They run from environmental fiscal reform, Strategic Environmental Assessment (SEA), Environmental Impact Assessment (EIA), payment for ecosystem services, economic evaluation of environmental assets and services and others. Wider use of those and other policy solutions and tools should be actively promoted. -Further developing tools such as regulatory impact analysis would also be valuable.
- Development co-operation has a role to play in developing capacities for improved environmental governance and management. A priority is to help develop the capacities of environmental ministries to interact with their colleagues in planning, finance and sectoral ministries. Equally important, if not more, is to help develop, mainstream and upstream the environmental capacities of non-environmental actors.
- There is also wide scope for regional-level capacity development initiatives notably with regard to shared environmental resources such as rivers.
- There is a need for comprehensive guidance on integrating environment in national and sectoral plans and budgets. There is also a need for OECD Members to share best practices with regards to capacity development and governance for environment, in the context of the Accra Agenda for Action. This should involve intensified collaboration between development co-operation and environmental ministries and agencies.

Supporting Low-Carbon Development Paths: Win-Win Approaches to Achieve both Mitigation and Development Objectives

Ms. Lisa Jackson (Administrator, Environmental Protection Agency, USA) and Mr. Ib Petersen (State Secretary for Development Co-operation, Denmark) led the discussion.

Ms. Jackson highlighted that a low-carbon economy can help address both the climate crisis and the economic crisis. She outlined that improved urban planning, public transportation, and developing green buildings offer cost-effective solutions to reduce energy demand while also providing health benefits, and that public-private partnerships and international co-operation can accelerate deployment and innovation of clean technologies.

Mr. Petersen pointed out the importance of engaging all countries in a low-carbon development path. He highlighted the economic and technological benefits for developing countries of doing so, and that simple, low-carbon measures already exist. He called for industrialised countries to provide adequate incentives in the form of financing, assistance and technology to help developing countries pursue a "green development strategy".

The subsequent discussion highlighted the following key messages:

- Low-carbon development can be seen as an opportunity to address the economic crisis, as well as the climate crisis. Moves towards cleaner development are essential to ensure that we don't engage in a race to deplete the world's resources: a race which no one will win.
- Low carbon development can simultaneously achieve three key objectives: fostering growth, addressing climate change, and achieving energy security, as well as contributing to other co-benefits such as health

benefits from reduced air pollution. There is therefore a need for a paradigm shift from conventional models of development towards green growth.

- There are simple, win-win actions that can help move countries towards a low-carbon development path.
- Action in the energy sector, such as promoting increased use of renewable energy and improvement of energy efficiency, is important. But so is action in forestry and agriculture, as these are also important sectors in developing countries, where the poorest populations are often highly dependent on natural resources. We need to find a way to incentivise actions in both these sectors, including through strong institutional and governance frameworks.
- Developed countries need to take the lead – both in terms of greenhouse gas emissions reductions, and in terms of providing support for developing countries. Gender perspectives need to be taken into account in this context.
- Increased international co-operation is needed, both in terms of providing incentives and support for enhanced developing country action, and on research and development focusing on promising technologies. In this context, sharing experiences amongst countries is critical.
- Increased co-operation with the private sector is crucial, both in developed and developing countries. Public-private partnerships are an important part of this.
- Engaging actors at the local level within countries is also important.
- Although the private sector will have an important role, public financial support for both mitigation and adaptation will also be necessary.
- Delegates provided suggestions for further OECD work, including to examine synergies between mitigation/adaptation and development, and to support the integration of Low Carbon Development Strategies in development co-operation, as well as to undertake analysis of incentive mechanisms related to low carbon growth such as for reducing emissions from deforestation and to undertake work related to the Clean Development Mechanism (CDM).

The Road Ahead

Going forward, participants emphasised their commitment to further deepening the collaboration between OECD Environment and Development Co-operation ministries and agencies, building upon the work that has already been accomplished.

The following priorities were highlighted in preceding sessions for further work by the OECD, to be considered by the EPOC and DAC in the context of their programme of work:

- To further deepen the work by the OECD on adaptation, including integrating adaptation within existing aid modalities and environmental assessment processes, evaluating progress on adaptation, tracking aid for adaptation, incentivising private sector engagement, and examining the costs and other economic aspects of adaptation.
- Examine synergies between greenhouse gas mitigation and adaptation in the context of development objectives, to support the integration of responses to climate change into national development strategies, as well as analysis of incentive mechanisms such as for reducing emissions from deforestation and the Clean Development Mechanism.
- Comprehensive guidance on building capacity for integrating environmental considerations in national and sectoral plans and budgets, identifying approaches for “mainstreaming” and “upstreaming” environmental

issues in sector policy dialogues, and testing the results of the work at country level. Capacity development in the context of climate change was of particular interest.

- Sharing of best practices with regard to capacity development and governance for environment, in the context of both the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. This should involve intensified collaboration between development co-operation and environment agencies.

The meeting concluded noting the importance of these discussions for the upcoming of meeting of the OECD Council at Ministerial level in June 2009, which includes a focus on green growth. Continued co-operation between DAC and EPOC was welcomed, including possible future joint meetings at high level.

Mr. Bert Koenders, Co-Chair
Minister for Development Co-operation
Netherlands

Mr. Kak-soo Shin, Co-Chair
Vice Minister of Foreign Affairs and Trade
Republic of Korea

