

## **Panel 3 B International Organisations between North and South (Sat, 3 Dec.)**

### **Capacity development for international climate policy in developing countries**

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#### **1 Introduction**

With the creation of international environmental regimes, capacity development in environment (CDE) has become an important area of international environmental governance and development cooperation. The objective of this paper is to explore to what extent the capacities of developing countries to address climate change have been improved by CD measures supported by bi- and multilateral donors. To show the effects of these programmes, we analyse the CD concepts, programmes and activities related to climate change elaborated by GEF, UNDP, UNEP and GTZ. We put particular emphasis on programmes and projects that reflect the cross-cutting dimension of climate change and activities that involve different actors from different policy areas and social backgrounds.

*Capacity development* – in contrast to the less encompassing approach of *capacity building* – takes a broad, long-term and integrated approach to improving capacities to develop and implement adequate policies addressing climate change. It strives towards supporting political and societal actors to determine their capacity needs essentially on their own. This entails the design of detailed implementation measures across policy fields and groups of actors. With regard to climate change, capacity development for example explicitly integrates climate change-related measures in policy fields like agriculture, natural resource management or infrastructure development. This frequently involves new and comprehensive processes of information exchange, the formulation of interests, as well as the coordination of and cooperation among different actors from the public and private sector. In all of these, environment- and climate-related capacity development generally plays an important role.

The conceptual framework of the research was based on the concept of capacity development in environment (CDE), elaborated by the Development Assistance Committee (DAC) of the OECD in the aftermath of the Rio Earth Summit in 1992 (see OECD 1994, 1995a and b). This concept was strongly influenced by the findings of comparative environmental policy analysis and focuses on the systemic problem-solving capacity of public and private actors (see Jänicke / Weidner 1995 and Weidner / Jänicke 2002). Its starting point is that environmental policy needs

negotiated solutions in order to overcome the obstacles set by short-term economic, political and social interests, uncertainty and cross-sectoral complexity. As climate policy is as much a cross-cutting policy field as environment, it makes sense to use these concepts for the analysis of climate policy capacities as well.

From this perspective, we can formulate three normative hypotheses in order to describe the conditions under which climate policy capacities are best developed and can be applied most effectively: First, for climate policy to be effective, its main actors or proponents need to be strong, competent and enjoy the necessary financial, human and institutional resources. For enhancing the competence and resources of public actors, alliances and networks with non-governmental organisations (from civil society, science and the economy) are helpful. Second, the systemic conditions for an effective climate policy need to be favourable, or there need to be specific strategies for their improvement. Some examples are: Sound information on climate change and its likely impacts have to be publicly accessible. There needs to be a minimum degree of public concern over the impacts of climate change. Policies, laws and procedures in order to coordinate the activities of the public administration and other relevant actors need to be in place. Third, proponents of climate policy need to be able to actually use the existing capacities within an effective strategy and by using political windows of opportunity.

Our analysis of the concepts and activities of GEF, UNDP, UNEP and GTZ will focus on whether they reflect these normative hypotheses and what their effects have been so far.

What is the basis for climate-policy related capacity development activities? Both the UNFCCC and the Kyoto Protocol (KP) have articles regarding climate policy capacities in developing countries. Article 9 (d) UNFCCC states that parties should provide “advice on ... ways and means of supporting endogenous capacity-building in developing countries”. Article 10 (e) KP mentions CD within the context of education and training programmes and refers to both human and institutional capacities. Parties referred to this article during COP5, emphasized its cross-cutting character, called for an evaluation of CB approaches and proposed close cooperation with the GEF capacity development initiative. COP7 decided on guidance for CB activities by GEF and other donors and stated that *"capacity-building should be country-driven, involve learning by doing, and build on existing activities."*

On COP10, an evaluation of CB activities was presented, including an overview on the main needs and priorities for capacity building (see box 1 below).

### **Box 1: Summary of "Capacity-building needs and priorities"**

#### Systemic level:

*Strengthening of policy framework (conflicting mandates, functions of responsible agencies).*

*Mainstreaming climate change into countries' environmental programming in all sectors.*

*Need for stronger political commitment.*

*Need for long-term financial resources for climate change activities.*

*Information about benefits from the implementation of the UNFCCC at all levels.*

*Enhancing capacity for policy formulation, planning and integration of climate change.*

*A regional clearing house for information-sharing and networking on climate change.*

*Government institutions need to consolidate priorities between departments to place climate change as a priority in their sustainable development plans.*

*Participation of key stakeholders, such as public and private sector, non-governmental organizations, academia and scientific and technical personnel, as well as local communities.*

*Capacity to enforce policy instruments at the national level.*

*Raising public awareness, incorporating climate change into national education systems.*

*Establishment of regional centres of excellence.*

#### Institutional level:

*Need for country-specific secretariats or climate change departments with enough human resources and political power, and well-defined functions in climate change.*

*Need to strengthen the management and administrative institutional capacity for the collection of data for further research in local emission factors for national GHG inventories, management and operation of national GHG inventory systems, establishment of research centres, database development, and development and implementation of adaptation strategies and plans.*

*Institutional capacity enhancement in preparation of projects and programmes; better data collection and monitoring; establishing and upgrading stations for systematic observation.*

*Further technical and financial support for inventory preparation, climate change impact assessment and adaptation, institutional strengthening, and disaster mitigation.*

#### Individual level:

*Need for trained personnel in management and operation of national GHG inventory systems, development of climate change scenarios, database development, and development and implementation of adaptation and mitigation responses and strategies.*

*Need for improvement of negotiation skills, and an increase in the number of representatives at international meetings to address the main topics discussed.*

*Capacity in technology transfer, negotiation and management, specifically referring to the CDM.*

*Enhancing the analytical capacity of experts, policy makers and decision makers.*

*Need to enhance capacity to prepare projects and programmes in the climate change area.*

*Need to build capacity of a wide range of stakeholders from governments, non-governmental organizations, private sector, academia, and local communities.*

Source: UNFCCC 2004a.

## 2 Concepts and activities of GEF, UNDP and UNEP

The **Global Environmental Facility (GEF)** had been created in 1992, after the Earth Summit in Rio de Janeiro, as funding mechanism for the implementation of the UNFCCC and the Biodiversity Convention. Eventually, the funds for the Convention to Combat Desertification were also put under its administration. GEF finances the majority of CD measures under UNFCCC and the Kyoto Protocol; these measures are implemented by UNDP, UNEP and the World Bank. For their guidance, GEF has established clear criteria for the focus, the goals and the implementation of CD activities.

In 2003, GEF launched its Strategic Approach to Capacity Building which was based on an evaluation of previous activities and regional consultations with governments and other actors (GEF 2003a, Lafontaine 2000). According to this approach, CD is most effective if it is conceived not as an isolated measure but as an integral element of GEF-financed projects aiming at the implementation of the Rio Conventions. Activities can focus either on one particular convention, policy area or institution, or on capacity needs common to all three of them. The latter allows to tackle policy linkages and to promote horizontal and vertical policy coordination. In other words, it is a flexible approach in order to start working where the best opportunities for learning and change exist.

According to the GEF project data bank, until summer 2004, GEF had spent 44.7 million US-D on 87 projects related to climate policy CD. GEF itself calculates that it has invested 1.46 billion US-D on climate policy CD between 1991 and 2002, because it maintains that nearly all projects include CD components (UNFCCC 2003a:12).

The **United Nations Development Programme (UNDP)** is the central player in the field of climate policy CD. Its definition of capacity building has strongly influenced the GEF strategic initiative in this field:

*"In a global context, 'capacity' refers to the ability of individuals and institutions to make and implement decisions and perform functions in an effective, efficient and sustainable manner. At the individual level, capacity building refers to the process of changing attitudes and behaviours imparting knowledge and developing skills while maximizing the benefits of participation, knowledge exchange and ownership. At the institutional level it focuses on the overall organizational performance and functioning capabilities, as well as the ability of an organization to adapt to change. It aims to*

*develop the institution as a total system, including individuals, groups and the organization itself. Traditionally, interventions at the systemic level were simply termed 'institution strengthening'. This reflected a concern with human resource development as well as assisting in the emergence and improvement of organizations. However capacity development further emphasizes the overall policy framework in which individuals and organizations operate and interact with the external environment, as well as the formal and informal relationships of institutions."* (UNDP 1999)

This understanding of capacity development comes quite close to the one elaborated by the OECD and Jänicke / Weidner, although it does not make reference to the necessity of cooperative policy approaches. This reference, however, is implicit in a framework elaborated by UNDP and GEF for the evaluation of CD efforts: Both indicators 3 and 4 can be interpreted as to refer to policy approaches which try to involve different stakeholders and actively mobilize their resources for the objectives of climate policy.

**Table 1: UNDP/GEF Capacity Development Indicator Framework**

Strategic Areas of Support	Target for Capacity Development		
	Systemic	Organizational	Individual
(1) Capacity to conceptualize and formulate policies, legislations, strategies, and programmes.			
(2) Capacity to implement policies, legislations, strategies, and programmes.			
(3) Capacity to engage and build consensus among all stakeholders.			
(4) Capacity to mobilize information and knowledge.			
(5) Capacity to monitor, evaluate, report and learn.			

Source: UNDP/GEF (2003b): *Capacity Development Indicators. Resource Kit No. 4*

UNDP carries out the majority of measures for evaluating existing capacities and deficits: support for the elaboration of National Communications (NCs) to the UNFCCC, National Capacity Self Assessments (NCSAs) and National Adaptation Programmes of Action (NAPAs).

**National Communications (NC):** Until December 2004, 120 Non-Annex-I countries had sent their first national communication to the UNFCCC secretariat; three countries had already elaborated their second NC (Mexico, South Korea and Uruguay) (see UNFCCC/SBI/2004/INF.12). China and Brazil presented their first NC

during COP 10. The elaboration of NCs is a challenge, especially regarding the inventory of greenhouse gas emissions. As the Minister of Environment and Forests from India, A. Raja, stated: *"This national effort has built up human and institutional capacities in the different disciplines related to the preparation of this Initial National Communication"* (Ministry of Environment and Forestry of India 2004).

**National Capacity Self Assessments (NCSAs):** Until June 2003, 48 countries have received GEF funds for NCSAs, an additional 50 countries had applied or were planning to apply for funds. NCSAs aim at supporting developing countries to elaborate a comprehensive analysis of its CD needs regarding cross-cutting areas between the three Rio conventions; therefore, NCSAs are an appropriate instrument for defining joint CD activities in order to generate synergies among them.

**National Adaptation Programmes of Action (NAPAs):** Until October 2004, 43 NAPA applications for a volume of 9.4 million US-D have been accepted. The completion of the first NAPAs was expected for the beginning of 2005. An analysis of vulnerability and adaptation reports shows, however, that the policy framework for adaptation is still insufficient (see Burton et. al. 2002; Klein / Downing 2002; Oberthür et al. 2002). Risk assessment and options for action are not systematically linked; risk assessment itself is often limited to biophysical processes and does not take into account socio-economic and political conditions in countries and regions.

The **United Nations Environment Programme (UNEP)** has a manifold role in capacity development: First, it acts as implementing agency of GEF. Second, it pursues an own inter-governmental initiative on technology support and capacity building (ENB 2004). Third, it collects data and elaborates reports on the global state of the environment which are an important basis for CD.

While UNDP has a focus on integrating development aspects into climate change, UNEP emphasises the integration of environmental aspects in sectoral policies. In addition, it strives at reaching synergies between NAPAs, multilateral environmental agreements and the Poverty Reduction Strategies supported by the World Bank and the IMF. UNEP tries to achieve these ambitious aims through several measures at different levels, e.g. by supporting the creation of organisations for environmental protection and environmental law on regional, national, sub-national and local level, by elaborating and reviewing environmental policy

instruments and by promoting public access to environmental information and participation in environmental management (UNEP 2002: 13).

As a result, we can state that the concepts and approaches of the main international organisations responsible for capacity development in climate policy refer positively to the strategic model of CD summarized in the introduction to this paper and contain many of its elements.

It is also clear, however, that there are a number of weaknesses and imperfections. As countries cannot directly apply to GEF but have to channel their applications through either UNDP, UNEP or the World Bank, their ownership of the process and resulting projects might be reduced. This risk is reinforced by the fact that each of these organisations has its own interpretation of CD: UNDP and the World Bank concentrate on GHG emission inventories and the evaluation of national capacities, while UNEP focuses on training for CDM or technology transfer.

Project application and acceptance have been very time-consuming processes at GEF which has created serious delays in implementation. In the meantime, a fast track has been established which gives the implementing agencies more decision-making power and allows for quick initial investments. Expedient appraisal of project applications and their implementation cannot be guaranteed by UNDP either.

UNEP does not have a network of offices in developing countries as UNDP has, which – together with its very limited operative funds – reduces its ability to comprehensively support developing countries in mitigating their environmental problems.

These factors, together with the low priority long-term issue such as climate change usually have on the political agenda, are the reasons for why most of the developing countries are still only at the beginning of their CD efforts.

A special light was thrown on the state of capacity development by the deliberations on COP9 and 10 on this subject. COP7 had set up a framework for CB and had emphasized: "*There is no "one size fits all" formula for capacity building. Capacity building must be country driven, addressing the specific needs and conditions of developing countries and reflecting their national sustainable development strategies, priorities and initiatives.*" (§5). The framework also refers to synergies with multilateral environmental agreements, to the special needs of the countries most affected by climate change, and the importance of national institutions and actors for an effective coordination of CB activities. It was agreed that this

framework should be adapted and improved through periodical evaluations. COP9 decided to elaborate a comprehensive evaluation of CB measures (Dec. 9/CP.9 in FCCC/CP/ 2003/6/Add.1) which was presented at COP10. In May 2004, the UNFCCC secretariat had published a report which summarized the scope, effectiveness and further needs of CB activities (UNFCCC 2004a), based on the analysis of documents and reports, including NCs, NAPAs, NCSAs, PRSPs and national sustainability strategies as well as documents provided by GEF and several donors. In addition, interviews, surveys and workshops had been carried out. As a result, it was stated that CB is needed on all three levels, individual, institutional and systemic, e.g. an improved coordination between different ministries, the need for more experts on climate research and the need to define priorities for action. Also GEF needs to increase its staff for capacity development.

COP10 showed the difficulties between developed and developing countries to reach a common position in relation to progress made so far regarding implementing CD. Agreement was reached in the following areas (decision FCCC/CP/2004/L.11):

- institutional CD should be prioritised; it should improve policy coordination and the integration of climate aspects into policy planning on national level;
- CD is the result of cooperation among different political, social, economic and academic actors;
- in LDCs, the elaboration of NCs and NAPAs contributes to individual CD, not only within public administration, but also with regard to non-state actors;
- CD measures have to follow explicit objectives, results have to be evaluated and relevant information has to be published.

The scope of existing deficits regarding CD was not mentioned in the final text of the decision. The decision also does not make reference to the need to integrate climate change issues into other economic areas, into poverty reduction strategies and programmes and sustainability strategies. It was the G77 who blocked this because they interpreted it as an instrument for tying (and thus limiting) aid to specific conditions. Another reason was that G77 countries feared that donors would try to unduly influence their economic policies. In the same way, a reference to the need to mainstream climate change issues in planning procedures was not included. This means that a chance was missed to define climate-related capacity development as a comprehensive task for the whole society and as a serious obligation of all parties to the UNFCCC.

### **3 Concepts and activities of German technical cooperation**

#### **3.1 General Approach**

Since more than ten years, the German Society for Technical Cooperation (Gesellschaft für technische Zusammenarbeit – GTZ) promotes capacity development as a central element of all projects and programmes of bilateral German technical cooperation. The GTZ defines CD as enhancing the skills of people, organizations and societies in order to use resources efficiently and effectively to achieve their goals in a sustainable manner. Apart from improving the technical and managerial competences of people and organizations, the task of improving (as far as possible) the economic, social, environmental and political framework conditions as well as promoting institutional development became a primary goal of German CD activities since the 1990s. This strategy evolved from the negative experiences gathered in the context of isolated projects supporting specific actors or institutions (see GTZ 2003). With regard to institutional development, GTZ's activities now concentrate on:

- support for the development of democratic institutions that are based on legal principles and promote an environmentally sustainable social market economy;
- support for the development of the legal and administrative framework for the implementation of development policies and programmes;
- improvement of policies and practical as well as feasible goals for specific national government policies;
- promotion of cooperation between government, the private sector and civil society.

In its partner countries, GTZ supports various measures in accordance with the partner country's political priorities. These range from capacity evaluations in the context of project preparation, the institutionalisation of monitoring and evaluation systems, technical support and training activities to the promotion of cooperation between government, the private sector and civil society and the creation of the necessary legal structures for this cooperation.

Obviously the focus of these activities depends on the level of development and the developmental priorities of the respective partner country. While, for example, Indonesia asked for support for the establishment of an administrative structure for CDM activities, Mozambique prioritised measures in the area of disaster

prevention. In the latter case, CD measures are specifically addressed at reducing the vulnerability of the population to extreme weather events due to climate change (see Sperling 2004).

The mitigation of the impacts of climate change on developing countries or respectively their adaptation to climate change is an increasingly important element of GTZ activities. It has become an increasingly important concern of German and international development cooperation to support partner countries in anticipating the likely impacts of climate change on their economy and natural environment and to integrate adaptation measures into mainstream government policies and strategies. Accordingly, the GTZ developed a portfolio of measures for different sectors that range from advising for national adaptation strategies to participatory development of emergency plans and undertaking evacuation exercises.

In addition, the GTZ activities aimed at the implementation of the UNFCCC, the Convention on Biological Diversity and the Convention on Combating Desertification also provide scope for activities related to the adaptation to climate change. Relevant measures are, for example, the development of national CDM strategies, the necessary administrative structure as well as the design of specific environmental instruments; the identification and demarcation of protected areas and measures to combat soil erosion and to improve integrated water resource management. All these measures are ideally accompanied by capacity development. Although some of these measures belong to different sectors, they offer many opportunities for cross-cutting activities since they partly depend on the same data and knowledge management schemes as well as institutions for implementation. In reality, however, these measures (and accompanying CD activities) are often implemented separately.

### **3.2 Indonesia as an example for capacity development in climate protection**

Indonesia is a large developing country that already made the transition to industrial development in some economically rather important sectors such as manufacturing and resource exploitation. Thus, it has turned into an important and growing emitter of greenhouse gases. In the future, Indonesia needs to become more energy efficient and to turn to renewable energy sources. Therefore, it has a large potential for projects under the CDM. Due to Indonesia's geographical characteristics, climate change is likely to lead to disastrous consequences: tens of thousands of islands will face rising sea levels and increasing numbers of storms;

rain forest eco-systems are likely to suffer which will affect rivers and create new problems for flood management. Extreme weather events are likely to increase in numbers as well as in force not least because they will hit the poorest parts of the population the strongest. The magnitude of these problems and their implications for economic activities and public budgets are such that they will be felt not only by local communities but the nation as whole.

Finally, the example of Indonesia also shows what it means to react to climate change within the context of economic adjustment and fundamental political reforms.

Indonesia belongs to the group of middle income developing countries. If this group succeeds in implementing effective climate protection and adaptation policies, it will also provide an important impetus for the further development of the global climate protection regime.

The following sections briefly revisit the framework conditions, the development and the current focus of Indonesian climate protection policy and the related CD activities before a concluding section summarizes which are the next steps to ensure that these activities will help to support effective long-term policies.

### ***Initial climate relevant environmental measures***

Indonesia signed the UNFCCC in 1992 and ratified it in 1995. The first national communication regarding the implementation of the Convention has been submitted in 1999 (Indonesian Ministry of the Environment 2001). The Kyoto Protocol was signed in 1998 and ratified in 2004. The first national communication has been submitted in 1998. Although the government has committed to submit the second NC, its drafting process has not yet been initiated.

Indonesia's politics are still characterized by the structural changes introduced in the aftermath of the 1997 financial crisis and the breakdown of the decades-old Sukarno regime. One of the most important changes is decentralization which shifted a considerable amount of political power from the central government to the 27 provincial and 243 district governments.

Due to the preoccupation with recovering from the financial crisis and the subsequent political transformation, climate change policies have not been a political priority. However, environmental problems related to industrial development, such as air or water pollution were tackled, not least because of their direct impacts on the population. Yet, more general approaches to sustainable resource management and efficient energy use – Indonesia is a major exporter of natural gas – did not play a

major role in Indonesian environmental politics until the compilation of the first national communication to the UNFCCC.

The following table taken from the first national communication gives an insight regarding the amount and structures of GHG emissions in Indonesia. The data is rather old and has not been updated yet. The lack of complete and recent data is a very typical problem in developing countries; many of them do not have recent data on the development of greenhouse gas emissions.

**Table 2: Emission inventory of Indonesia Gg CO<sub>2</sub>-Equivalents (1994)**

Sector	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	CO	NO <sub>x</sub>
Energy	50,702	0.77	0.28	9	96
Manufacturing and construction	50,014	2	0.23	21	121
Transport	47,047	7	0.44	2,654	456
Other sectors (energy transformation)	22,253	347	5	5,738	146
<b>Total energy transformation (sectoral approach)</b>	<b>170,016</b>	<b>358</b>	<b>6</b>	<b>8,422</b>	<b>818</b>
Solid fuels		20			
Oil and natural gas		2,018			
<b>Total volatile emissions from fuels</b>		<b>2,038</b>			
Mineral products					
<b>Total industrial processes</b>	<b>19,120</b>	<b>0.51</b>	<b>0.01</b>		
<b>Total solvents and other product use</b>					
Rice cultivation		2,281			
Slash and burn agricultural lands		16	0.52		
<b>Total agriculture</b>		<b>3,244</b>	<b>53</b>	<b>331</b>	<b>19</b>
Changes in forest and other wooden biomass	-135,245				
Transformation of forests to grasslands	303,237	367	3	3,214	91
Other (land use and forestry)	57,240				
<b>Total land use and forestry</b>	<b>155,624</b>	<b>367</b>	<b>3</b>	<b>3,214</b>	<b>91</b>
<b>Total waste</b>		<b>402</b>			
<b>Other</b>					
<b>NATIONAL total</b>	<b>189,136</b>	<b>6,409</b>	<b>61</b>	<b>11,966</b>	<b>928</b>
<b>Total emissions from international aviation and shipping (bunker fuels)</b>	1,684				

Source: GHG-Database UNFCCC

The national communication also contains a number of policy measures for the reduction of emissions and for the adaptation to climate change such as the promotion of renewable energy sources and the reduction of subsidies for fossil fuels, promotion of public transport in densely populated urban areas, reduction of methane emissions from waste dumps, tackling illegal logging as well as coastal protection. Yet, these measures have hardly been implemented. The focus of energy policy has been mostly on improving and ensuring energy supply. Measures aiming at improving energy efficiency have only recently been initiated. The new energy strategy (2003-2020) has a stronger focus on clean energy supply and renewable energy sources.

One reason for the lack of implementation lies in the institutional weakness of those political actors that ought to promote climate-related policies. In 2004, only four persons in the Indonesian Ministry for Environment were responsible for national and international climate change issues. In addition, the ministry has hardly any financial means for the implementation of projects aiming at the development and implementation of adaptation measures. Due to the lack of capacity the ministry's staff was not even aware of the possibility to fund capacity development activities through multilateral donors.

Another problem, which is very likely to occur in other developing countries, too, has been the frequent change in staff causing a constant loss of institutional knowledge and thereby preventing strategic policy development and a systematic build-up of expertise. This has become especially evident in the fact that the national committee on climate change (a group of experts from various ministries, scientific organizations and stakeholder groups that supported the drafting of the first national communication) had not been convened since 2003. This is notable because, apparently, the committee had played a decisive role in coordinating the various actors. The committee had efficiently facilitated debates and contributed to solving conflicts, by keeping them on an administrative level and preventing their emergence at political level. Moreover, until 2001 and with the participation of NGOs, business representatives and scientists, it also served as the main inter-ministerial coordination unit for the preparation of the UNFCCC conferences of the parties.<sup>1</sup>

### ***New Impulses***

Indonesia's large potential for CDM projects and the expectation of considerable benefits triggered the ratification of the Kyoto Protocol. In fact, CDM activities represent the largest part of climate change-related capacity development measures in Indonesia. These measures cover not only governmental actors but also environmental organizations and enterprises.

In 1999, international and bilateral donors started to invest in CDM-strategy studies in order to identify potentially suitable sectors and projects. These studies built on earlier, but rather negative experiences of several "AIJ projects" (*Activities*

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<sup>1</sup> The information contained in this section was mostly gathered by interviews conducted in August 2004.

*Implemented Jointly*).<sup>2</sup> Subsequently, two *National Strategy Studies* were undertaken, one focusing on the energy sector and the other examining the forestry sector. The energy sector study was supported by the GTZ and the World Bank. It was finalized in 2001 and showed that the largest CDM potential in Indonesia can be found in the area of energy production (low temperature combined heat and power generation, small hydro power, combined gas-cycles). The analysis also showed that 21 CDM projects had already been drafted and that the country could serve about 2 % of the global CDM market with a turnover of about 244 million US-D for the first commitment period. However, it was pointed out that the lack of a national agency for CDM administration was a serious constraint as well as the lack of knowledge and interest on the part of business and environmental NGOs.

After sinks had been approved as CDM eligible in 2001, the “*National Strategy Study on CDM in Forestry Sector*“ was finalised in 2003.<sup>3</sup> In 2000, Indonesia still accounted for the third largest area of tropical forests (95 million hectares) worldwide. Yet, annually around 2 million hectares or 1.5 % of the forests, an area of the size of Belgium, vanish due to logging and forest conversion (WRI 2003: 270-271). This study has been very relevant for further capacity development activities because it not only identified the complexities in this particular sector and potential projects. Moreover, it pointed at the inconsistencies between national climate protection policies and national forest policies, e.g. the restrictions for foreign direct investment in timber operations. This can prevent CDM projects making use of biomass and thus block the introduction of innovative schemes for more sustainable resource use. In addition, there are a significant number of different and very specific provincial and local regulations aiming at supporting local businesses that can conflict with the international component of the CDM approach (Ministry of Environment 2003).

The problems of policy coordination have also been analysed by a study commissioned by the Indonesian NGO Pelangi (financed by the British Department for International Development). Conflicts between the various sectors and levels of government about mandates and economic and environmental goals have been fuelled especially by decentralization. Many of the regulations are rather vague and do not clearly assign political competences or prescribe decision making processes.

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<sup>2</sup> AIJ-projects were undertaken since the mid-1990s as a kind of demonstration projects in which governments and companies cooperated in order to collect experiences in implementing measures aiming at the reduction of GHG emissions. In Indonesia seven AIJ projects were documented.

<sup>3</sup> This study has been mostly financed by the Australian Agency for International Development (AusAID).

This legal and political insecurity effectively prevents investors from considering and implementing CDM projects especially in the forestry sector (Abidin et al. 2003).

Based on the observation that institutional weaknesses prevent effective policies (see also Michaelowa 2003), in 2003 GTZ started a project which aimed at creating the necessary institutional framework for effective climate change policies. This project encompasses an analysis of existing and still needed environmental laws as well as information and training workshops on climate change and CDM for government staff, NGOs and businesses. In this case, GTZ cooperates closely with the Indonesian Ministry for the Environment and a number of NGOs. Due to the complexities of Indonesian domestic politics at the time, GTZ was also involved in direct lobbying activities in order to get the designated national authority (DNA) for the CDM set up (see Yayasan Pelangi Indonesia/HWWA 2003).

Between 2003 and 2004, an intensive political dialogue on various political levels and with different stakeholders had been established that eventually lead to the ratification of the Kyoto Protocol and the foundation of the Indonesian DNA in 2004. Apart from general information and training workshops, this process included a regional “skill-share workshop” during which representatives from other ASEAN countries reported about their climate change-related policies, measures and experiences. A CDM “try out” – a two-day simulation exercise, where stakeholders were asked to develop a proper CDM project according to official eligibility criteria – was also carried out. And lastly, a large national dialogue event at the occasion of the ratification of the Kyoto Protocol brought together all relevant stakeholders to discuss the next steps and projects in Indonesian climate change policy.

All these activities helped to create a significant group of experts and stakeholders that promote climate protection in Indonesia and from which around 25-30 serious CDM project proposals evolved. Now, the focus is likely to be put more on the efficient implementation of these projects and to ensure that the CDM administrative process runs smoothly (Yayasan Pelangi Indonesia/HWWA 2003: 53). In order to support this, the GTZ develops appropriate training materials. Another significant element is the better involvement of the private sector and a technology needs assessment beyond CDM that examines what kind of technologies and related implementation structures are needed for more efficient energy use and GHG avoidance.

Apart from ensuring an effective implementation of the Kyoto Protocol and CDM projects, Indonesian climate change-related policies will have to address adaptation to climate change. Since this aspect has not yet been high on the political agenda, there is a huge capacity development need. Initial research shows that no systematic analysis or empirical data on the potential impacts of climate change in Indonesia and its hot spots exist. Thus, the first and rather complex as well as time-consuming and expensive step ought to be an assessment of climate change impacts in the different parts of the country.

In this context, it has to be pointed out that there is a considerable lack of public political pressure on the government to become more proactive in adaptation to climate change. Despite the fact Indonesians gradually recognize that weather patterns are altering and that in some parts of the country droughts or floods become more frequent and also more intensive, climate change does not feature very high on the agenda of public discourse. It is still restricted to experts, scientists, political activists and those businesses that expect to gain from climate protection measures.

### ***Conclusions for Indonesia***

In conclusion, it can be stated that capacity development activities have been most effective in the field of CDM while deficiencies remain in the field of general climate policy. While CDM-relevant actors have been strengthened and their resources and networking capacities improved, this is not the case regarding actors responsible for climate policy as a whole. The ministry for the environment remains weak, and the current state of decentralization impedes effective policy coordination and implementation of specific measures. Despite the considerable number and diversity of CD related activities, they have not yet led to a more integrative policy approach, for example in linking energy and environmental policies more closely together or institutionalise groups of experts or stakeholders in order to develop such integrative policies. In the Indonesian case, it is also became obvious that the political transformation and related internal conflicts over mandates and capacities impeded governance significantly, especially since civil society was not strong enough to create the political pressure to overcome these problems. As a result, systemic conditions for climate policy remain weak.

It is still too early to comprehensively assess the effectiveness of capacity development in climate policy in Indonesia. But it is clear that CD activities helped to identify specific problems and capacity deficits. It is now important to concentrate on

the efficient implementation of Indonesian CDM-projects, to strengthen non-governmental groups, including business, and to develop technical and institutional capacities, particularly in public administration on the regional and district level, in order to overcome systemic weaknesses and to preserve the recent dynamic in climate protection and sustainable energy policies. Then it might be possible to also improve the coordination of policies that affect climate protection and to invest in the identification of adaptation needs.

#### **4 Conclusions**

The main question of this article was whether capacity development activities supported by multi- and bilateral donors succeeded in increasing developing countries' capacities to shape national and global climate policy. Generally, regarding the activities of multilateral organisations, there is not yet enough substance and experience with CD measures in developing countries in order to assess their long-term impact. Indeed, most countries are still in the process of assessing their capacity needs or develop the skills for evaluating their needs and have not yet designed or implemented any measures that aim at improving the integration of policymaking in the context of climate change or proactively influence international environmental policymaking.

The analysis of CD processes in Indonesia confirmed that many different actors, their strength, competences and resources as well as their relationships affect the implementation of climate change-related policies. It also confirmed that CD measures targeted at actors and institutions in a specific issue area like CDM or strategy development helps to expedite policy making and more effective implementation. As our first hypothesis postulated, the design of effective CD measures in this policy area depends especially on whether the political mandate for climate policy formulation lies within a powerful or weak political institution. The Indonesian environment ministry has been weakened by changes in staff as well as the lack of financial means and human resources. However, when there was a certain continuity climate change related policies progressed.

With regard to our second hypothesis the Indonesian example also highlighted that the effectiveness of climate protection measures depends on the establishment of institutions and political processes that are powerful enough to implement policies. The dynamic and progress of climate change-related policies increased once specific issues were taken up by cooperative bodies encompassing a number of different

stakeholders. For example, the establishment of *designated national authorities* (DNA) for the implementation of CDM projects or the establishment of national coordination networks for the preparation of international conferences related to climate change are effective instruments for creating a forum for cooperation that helps to keep climate policies at the top of the political agenda.

As far as the systemic framework conditions are concerned, a clear deficit in coordination and cooperation among actors on the national as well as other levels became obvious. This is exemplified by a lack of information sharing and a lack of consultation by policy makers with other relevant actors in the course of designing policies and instruments related to climate change. Here, the GTZ strategy for promoting CDM capacities in Indonesia seems an interesting and effective option for improving cooperation and coordination potentials. This observation relates to the third hypothesis according to which actors need to be able to use or work with capacities that have already been created, for instance by political strategies or framework programmes.

Another fundamental problem that is closely related to the need to enable actors to use capacities is the distinct lack of reliable and recent data. Developing countries urgently need a more detailed data base of climate-relevant emissions, natural resource use and potential impacts of climate change on the national and regional environment and socio-economic development in order to turn political strategies into adequate and effective policies.

As many countries are still in the process of gaining a clearer picture of the specific policy challenges related to climate change, political strategies for effective capacity development measures have not yet played a prominent role. However, the analysis points at the crucial role current capacity assessment efforts do have for the future design of effective CD measures. On a practical level this means that the evaluation of country level capacity assessments and suggestions for CD measures can be used as strategic instruments for planning and designing an adequate institutional structure for more effective policy implementation. With a view to the immediate next steps, capacity assessments should put a stronger emphasis on adaptation measures as opposed to the current priorities that focus on the completion of national communications and CDM projects.

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