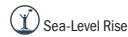
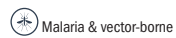
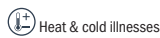
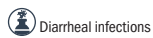
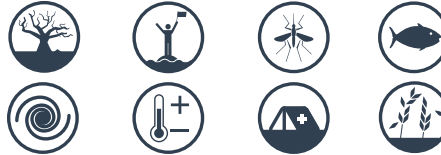


CLIMATE FINANCE



PRIORITY



In 2010, developed countries provided 14 billion dollars of their Official Development Assistance (ODA) as climate finance, a significant increase from around 7 billion in 2009. However, the degree to which these resources are “new and additional” as agreed at the international climate change talks at Copenhagen and Cancún is seriously in question. The Fast Start Finance target of 30 billion dollars over the three years from 2010 to 2012 would imply approximately 10 billion dollars’ worth of new climate finance per year. While collectively climate finance for 2010 was a respectable 7 billion dollars higher than in 2009, only 5 billion is derived from increases in donors’ ODA volumes – i.e. approximately 2 billion dollars of those resources have been either diverted or reclassified from existing ODA flows.

If, however, other commitments related to ODA are taken into account, the level of “additionality” and new finance diminishes considerably. In the 1970s, a collective commitment to provide 0.7% of the Gross National Income (GNI) of developed countries as ODA to developing countries was agreed to in the UN General Assembly. That commitment has been consistently met by a handful of developed country donors since the mid-1970s and has been reconfirmed in numerous official international contexts. The 2005 G8 summit at Gleneagles and the UN 2005 World Summit, which launched the Millennium Development Goals for 2015, saw a spate of new ODA commitments – including countries far behind the 0.7% target – all attempts to reach 0.7% by 2015, with interim ODA volume goals for 2010.

Only 2 billion dollars of new climate finance for 2010 is actually additional to these targets for progressing towards 0.7% of GNI or flows above that – commitments that had already been made by the same group of countries in order to support the achievement of the Millennium Development Goals, among other sustainable development

priorities, such as Agenda 21. Given that today still only a fraction of countries have actually provided in excess of 0.7% GNI as ODA, just 1 billion dollars of new climate finance alone can be considered additional to this particular commitment.

To the degree, therefore, that commitments on climate finance are delivering, they are also unquestionably at the expense of previous commitments to related sustainable development priorities. Neither is the picture for 2011 likely to be substantively different, since under preliminary reporting, overall ODA has increased by just 3.9%, broadly enough to keep up with one year of global inflation over this period as reported by the International Monetary Fund. Furthermore, almost 90% of this finance was targeted towards mitigation activities, with 14% committed to adaptation – a clear discrimination versus the agreements made at Copenhagen and Cancún, whereby it was firmly agreed that there would be a balance of resources for the two purposes.

Financial flows in the form of aid or climate finance have been central to policy debate and intergovernmental negotiations for responses to sustainable development challenges and climate change. But ODA-related flows are only a fraction of the picture. Investment linked to projects of the UNFCCC’s Clean Development Mechanism, for instance, are now several times the level of climate finance through ODA. More than half of ODA is, in any case, concessional debt – and a possible liability. More than half of all CDM projects, on the other hand, are estimated to result in a technology transfer of one form or another – a further bonus. Despite this, the CDM arguably absorbs much less of the attention of policy makers than finance. This is partly ascribed to the faltering political support currently enjoyed by the Kyoto Protocol mechanism. But the fact that China to-date accounts for almost 80% of all CDM investments by volume,

and India for another 15%, does mean all other developing countries capture just over 5% of any investment flows. Many countries have no CDM projects at all and no national capacity to register CDM projects.

In an ongoing financial and economic crisis that runs parallel to time-restricted policy windows for addressing core global concerns such as climate change, a heavy reliance on further delivery through ODA finance is clearly a restrictive avenue of action. The example of the CDM also demonstrates

the large-scale impact possible through policy frameworks with a bearing in the private sector, as opposed to ODA finance efforts, even when these are only moderately effective (given CDM coverage limitations alone). Effective policies for technology development and transfer, capacity building and regulatory mechanisms have the potential to yield significant impact in terms of implementation of sustainable development visions, including in the climate agenda, the Rio agenda an otherwise.

Climate change finance from developed countries to developing countries is reported by all donors as a part of their Official Development Assistance (ODA). This analysis was based on the Organization of Economic Co-operation and Development’s (OECD) CRS database – the only truly comprehensive and comparable source of financial tracking available, although it is exclusively a donor reporting mechanism. Research focused on the latest data accessible, which is for the year 2010. 2010 is also the first year of so-called Fast Start Finance – additional commitments to climate change finance agreed at the UN Climate Summit at Copenhagen (COP15) and further confirmed at the next Summit in Cancún (COP16). The analysis has benefitted from the Rio markers for climate change used by donor governments and the OECD. Only finance to projects reported to have climate change as a principal objective were included in the analysis so as to retain comparability with sector-based development finance analysis, where partially related funding is ignored. That focus also partly addresses further concerns over the misrepresentation and double-counting of a share of climate finance as reported by other recent independent research into the topic. The approach used here represents just one perspective on monitoring international climate finance flows; other methodologies could have been chosen and would have likely yielded different results and conclusions.

