

International Climate Finance and Development Effectiveness: Reflections on climate finance and effective development cooperation

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1. A deepening climate crisis, particularly for poor and vulnerable people

The global climate crisis is accelerating rapidly with deepening and irreversible impacts on people, nature and ecosystems. In 2020 this crisis was compounded as the world's population confronted an unprecedented global pandemic, with unrelenting infections and death, with severe economic and political impacts in many countries, North and South, from the spread of the COVID-19 virus. The pandemic has revealed the deeply disturbing limits in global solidarity, particularly on the part of the international donor community, in the face of profound vulnerabilities for hundreds of millions of people throughout the Global South.

A recently published United Nations Report, *2021 Financing for Sustainable Development*,² warns that the pandemic could lead to a lost decade for development, noting that there is a sharply diverging and unequal world emerging from the lack of access to resources by poor countries and people to combat the crisis. In the words of the WHO Director General, we are witnessing a “catastrophic moral failure” in the wake of “vaccine apartheid” and the “me-first” northern allocation of vaccines.³ The UN report cites growing global systemic risks arising from inter-linkages between economic, social (e.g. health, inequality), and environmental (e.g. climate) conditions.

In late 2020, the World Bank predicted that as many as 150 million people may be pushed into extreme poverty (i.e. destitution) by 2021 as a result of the pandemic. With 1.9 billion people, or 30% of the population of developing countries, living below the \$3.20 social poverty line (and close to 50% of people in Sub-Saharan Africa), vulnerability to the economic and social shocks of the pandemic remain very high. Many people were already living on the margin of extreme poverty.⁴

¹ This paper builds upon recent work by the author: *The Reality of Canada's International Climate Finance, 2021*, a report prepared for the Canadian Coalition on Climate Change and Development (C4D), forthcoming, October 2021, accessible at www.aidwatchcanada.ca, the 2020/21 global *Reality of Aid Report*, and *Civil Society Reflections on Progress in Achieving Development Effectiveness: Inclusion, accountability and transparency*, a 2019 report prepared for the CSP Partnership for Effective Development (CPDE), June 2019, accessible at www.aidwatchcanada.ca. The author alone is responsible for the integration of findings from these reports into this paper.

² See the report at <https://developmentfinance.un.org/fsdr2021>

³ “WHO Director-General's opening remarks at 148th session of the Executive Board,” 18 January 2021, accessed at <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-148th-session-of-the-executive-board>.

⁴ World Bank, *Poverty and Shared Prosperity 2020: Reversals of Fortune*, October 2020, accessed July 2021 at <https://openknowledge.worldbank.org/bitstream/handle/10986/34496/9781464816024.pdf>. For an overview of the impact of the pandemic in the Global South, see also UN Women, *Spotlight on Gender*,

As the pandemic unfolds, time is also running out in tackling the climate emergency. In October 2018, the UN Intergovernmental Panel on Climate Change (IPCC) issued a landmark Report with a clarion call for transformative and unprecedented shifts in energy systems and use. Without deep cuts in greenhouse gas emissions in the next decade (45% by 2030 over 2010 levels) the planet is likely to fail to live within the 2015 *Paris Agreement* pledge to keep temperature increases between 1.5°C and 2°C. The Report concludes “with very high confidence” that severe climate change and instability “will worsen existing poverty and exacerbate inequalities, especially for those disadvantaged by gender, age, race, class, caste, indigeneity and (dis)ability.” (p. 451)⁵ Yet with the accumulated effect of each year of inaction, scientists are predicting that the 1.5°C could be breached in less than a decade, and a catastrophic 3°C heating by the end of the century.⁶

Already parts of the world have experienced severe climate impacts on food and water security, health conditions, livelihood loss, migration, and loss of species and habitat. At a 1.5°C increase, the IPCC Report estimates that 122 million additional people could experience extreme poverty, with substantial income losses for the poorest 20% in 92 countries, and with significant impacts on poor countries, regions, and places where poor people live and work.⁷

By 2050, up to 140 million people could be forced to move within their own countries due to climate-induced disruptions to their livelihoods. In 2019 over 70% of the internally displaced persons population was the result of extreme weather events and natural disasters, more than three times the displacements caused by conflict and violence in that year.⁸ In 2018 more than 100 million people required humanitarian assistance as a result of storms, floods, droughts and wildfires. This

COVID-19 and the SDGs: Will the pandemic derail hard-won progress on gender equality?, April 2020, accessed July 2021 at <https://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2020/spotlight-on-gender-covid-19-and-the-sdgs-en.pdf?la=en&vs=5013>, “Impact of COVID-19 on people’s livelihoods, their health and our food systems,” Joint Statement by the ILO, FAO, IFAD and WHO, October 13, 2020, accessed November 2020 at <http://www.fao.org/news/story/en/item/1313598/icode/> and Civicus, *People Power under Attack*, 2020, December 2020, accessed January 2021 at <https://findings2020.monitor.civicus.org/>.

⁵ IPCC, 2018. “Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty,” October 2018, accessed August 2019 at <https://www.ipcc.ch/sr15/>.

⁶ Zeke Hausfather, “UNEP: Net-zero pledges provide an ‘opening’ to close growing emissions ‘gap’,” Carbon Brief, December 9, 2020, accessed July 2021 at <https://www.carbonbrief.org/unep-net-zero-pledges-provide-an-opening-to-close-growing-emissions-gap>.

⁷ IPCC, 2018, op cit., p. 452.

⁸ B. Van Bronkhorst and F Bousquet, “Tackling the intersecting challenges of climate change, fragility and conflict,” World Bank, Development for Peace Blog, January 27, 2021, accessed at <https://blogs.worldbank.org/dev4peace/tackling-intersecting-challenges-climate-change-fragility-and-conflict>.

number is expected to grow to over 200 million each year by 2050.⁹ The International Federation of the Red Cross estimates that the costs for climate related humanitarian needs will be approximately \$20 billion by 2030, which is almost the current level for the entire humanitarian sector.¹⁰

Philip Alston, the UN Special Rapporteur on Poverty and Human Rights, has pointed to the multiple implications of the climate crisis for the rights of poor and vulnerable people. “We risk a ‘climate apartheid’ scenario where the wealthy pay to escape overheating, hunger and conflict, while the rest of the world is left to suffer.”¹¹

The exclusive monopoly of developed countries over first access to COVID-19 vaccines may portend a world fractured by even deeper inequalities, marginalizing the health and economic welfare of billions of people. In relation to the climate emergency, Alston noted that developing countries would bear an estimated 75% of the costs of global impacts, despite the fact that the poorest half of the world’s population, mainly residing in these countries, are responsible for just 10% of historical carbon emissions. He issued a worrying prognosis for the future of human rights:

“Democracy and the rule of law, as well as a wide range of civil and political rights are every bit at risk. ... The risk of community discontent, of growing inequality, and even greater levels of deprivation among some groups, will likely stimulate nationalist, xenophobic, racist and other responses. Maintaining a balanced approach to civil and political rights will be extremely complex.”¹²

What will be the implications of large-scale climate migration, which will be inevitable as the equatorial belt warms towards uninhabitability? How will this migration affect or strengthen already rising “authoritarian nationalist” forces? The climate crisis is a justice challenge of the first order.¹³

With the degree of decarbonization needed for a 1.5°C target being politically ambitious for most developed countries, the consequences of missing this target for vulnerable populations in the Global South will be profound. Five decades of development, the ambition of *Agenda 2030* and the achievement of 17 Sustainable Development Goals (SDGs) agreed by the international community in 2015, are seriously undermined without a strong political consensus in developed countries,

⁹ Quoted in European Commission, “Communication from the Commission to the European Parliament and the Council on the EU humanitarian action: new challenges, same principles,” Brussels, March 10, 2021, page 2, accessed at <https://ec.europa.eu/echo/files/aid/hacommunication2021.pdf>.

¹⁰ Quoted in Rethinking Humanitarianism, “Aid’s Climate Challenge,” Episode 8, Center for Global Development, January 22, 2021, accessed at <https://www.cgdev.org/blog/aids-climate-challenge-rethinking-humanitarianism-episode-8>.

¹¹ Philip Alston, “Climate change and poverty: Report of the Special Rapporteur on extreme poverty and human rights”, A/HRC/41/39, June 25, 2019, page 14, accessed August 2019 at https://www.ohchr.org/Documents/Issues/Poverty/A_HRC_41_39.pdf.

¹² Ibid, p. 17.

¹³ See Tom Athanasiou, “Globalizing the Movement,” June 2019, accessed October 2019 at <https://greattransition.org/gti-forum/climate-movement-whats-next>.

focusing on renewed commitments to deeply transformative action on the climate crisis at the highest level. As many countries stagger to rebuild from the still unpredictable implications of the pandemic, developed countries have responded with trillions of dollars for emergency finance to protect their citizens, demonstrating that “affordability” is less a technical constraint than a political one.

As with the pandemic, addressing the climate emergency is a global justice challenge of the first order, one which must include and prioritize the most vulnerable countries and peoples. With so little time to act effectively to avert the worst consequences, this paper looks at the recent history of international public climate finance to situate how well the international community is prepared to meet this challenge in ways that bridge the implications of climate apartheid.

Considering these challenges for human rights and a just global order, this paper examines 1) the current ambition in setting international climate finance goals against what is required; 2) the degree to which existing goals have been met to date; 3) the trends in the allocation of this climate finance against *Paris Agreement* commitments to give priority to vulnerable countries and peoples; and lastly, 4) the implications of good practice approaches in effective development cooperation for realizing meaningful impacts through official climate finance.

2. Setting international climate finance goals

All developed countries have an urgent obligation to heighten their ambition for climate commitments for the coming decade, at both the domestic and international levels. Increasing numbers of governments at all levels have stated that they are aligning public policies and actions towards transformed energy systems that reflect a commitment to the Paris 1.5°C target and establish a pathway to carbon neutrality by 2050.

In Copenhagen in 2009, at the UNFCCC Conference of the Parties (COP15), the international community committed to \$100 billion in total annual international climate finance by 2020.¹⁴ This annual commitment was extended to 2025 at the 2015 Paris CSO21, which also adopted the *Paris Agreement* on climate change.¹⁵ Negotiations for a more ambitious target for the period 2025 to 2030, one that is better aligned to country needs for mitigation and adaptation, will be initiated at the Glasgow COP26 in November 2021.¹⁶

The loose structure for delivering existing international climate finance commitments creates

¹⁴ All figures are in current US dollars.

¹⁵ See the UNFCCC *Paris Agreement* at <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>.

¹⁶ Yamide Dagnet, et. al., “Challenging Climate Negotiations Deliver Limited Progress Toward COP26,” World Resources Institute, June 21, 2021, accessed July 2021 at <https://www.wri.org/insights/challenging-climate-negotiations-deliver-limited-progress-toward-cop26>. Developing countries are not only seeking a commitment target that is additional to current levels of ODA, but also financing for “loss and damage” due to current and expected climate change events that is additional to finance for adaptation and mitigation.

significant challenges for the international community in responding with new ambitious international finance initiatives, particularly those that can give priority to those countries and people most vulnerable to the evolving climate crisis.

Aside from the overall target of \$100 billion agreed more than 10 years ago in Copenhagen, there are no individual or collective provider (donor) targets for their share of this target.¹⁷ In 2016, the OECD and a number of DAC providers created a [Roadmap](#) (as mandated by the Paris COP21) for achieving this \$100 billion target by 2020. Accordingly, developed country providers are expected by 2020 to contribute annually a minimum of \$66.8 billion in public resources, of which \$37.3 billion is bilateral funds and \$29.5 billion is multilateral funds attributed to developed country providers.¹⁸ The remaining \$33.2 billion (33%) is expected to be mobilized from the private sector.¹⁹ But these “targets” were only best guess-projections in 2016 of the components of the \$100 billion climate finance in 2020 and the latter was itself a negotiated amount unrelated to the scale of need.

3. Determining the levels of international climate finance commitments

In September 2021, the OECD reported that \$63 billion in public international climate finance was committed by developed countries in 2019, with an additional \$14 billion mobilized by these providers from the private sector and \$3.6 billion in export credits. Overall, the OECD concludes that \$79.6 billion has been directed to the climate crisis in 2019 by developed countries against the goal of \$100 billion in annual commitments by 2020. They report virtually no growth in total climate finance since 2018 (\$78.3 billion), and little prospect in achieving the 2020 goal.²⁰

An analysis of this climate finance however is also fraught with methodological issues, different practices in counting climate finance by different providers, and by the proliferation of different bilateral and multilateral channels for allocation of this finance. Of the \$63 billion identified above, \$28.8 billion was “bilateral public climate finance” (down from \$32 billion in 2018) derived from provider biennial reports to the UNFCCC and direct reporting to the OECD. This finance was allocated directly through providers’ institutions to partners in the Global South. Most developed

¹⁷ This paper uses the lexicon of “provider” for a donor in development cooperation, and “partner country” for a recipient at the country level in development cooperation, common to the Global Partnership for Effective Development Cooperation.

¹⁸ Multilateral banks (MDBs) also allocate climate finance from their own internal resources generated by investments and loan portfolios. The \$100 billion Roadmap tracks only allocations by the MDBs that can be traced to a developed country provider core contribution to that MDB. The MDBs produce an annual Joint Report on all climate finance provided by the MDBs. The latest version of this Joint Report is accessible at <https://publications.iadb.org/publications/english/document/2019-Joint-Report-on-Multilateral-Development-Banks-Climate-Finance.pdf>.

¹⁹ *Roadmap to US\$100 billion*, 2016, Figure 1, page 8, accessed September 2017 at <https://dfat.gov.au/international-relations/themes/climate-change/Documents/climate-finance-roadmap-to-us100-billion.pdf>.

²⁰ OECD, “Climate Finance Provided and Mobilised by Developed Countries, Aggregate trends updated with 2019 data,” September 2021, Table 1.1, accessed September 2021 at <https://www.oecd-ilibrary.org/docserver/03590fb7-en.pdf?expires=1632148448&id=id&accname=guest&checksum=585601AA3EA17FC4C5F2E9C7ABE3EF4F>.

country providers use the OECD DAC Rio Marker for climate to determine the levels of bilateral climate finance reported to the UNFCCC. But unfortunately, the rules for determining bilateral climate finance are not agreed among all providers. In particular, providers report a bilateral project, where climate mitigation or adaptation is only one among several objectives of the project, to the UNFCCC at different shares of the project budget.²¹ These shares range from 100% (Japan) to 30% (Canada), with several reporting 40% of significant purpose budgets. To fairly compare DAC climate finance providers, all provider budgets and disbursements for significant purpose climate finance have been adjusted in this paper to a share of 30% dedicated to climate finance on average.

In 2019 \$34.1 billion was reported as “multilateral public climate finance attributable to developed countries” (up from \$29.6 billion in 2018). This finance is a calculation of outflows from Multilateral Development Banks (MDBs) and Multilateral climate funds coming from core provider contributions to these institutions. For the MDBs, the amount is derived from the share of the MDB finance dedicated to climate adaptation or mitigation, which can be attributed to developed countries (based on their relative share of core contributions). These amounts are also affected by technical differences between the methodology used by the OECD and the Multilateral Development Banks’ own determination of climate finance from their core resources.²²

The lack consistent rules creates significant credibility issues for developed countries in meeting their climate finance commitments. It undermines trust in the UNFCCC political process on the part of developing countries, as they are increasingly called upon to implement the *Paris Agreement*.²³ The focus of COP24 in December 2018 was to achieve consensus on a “Paris Rulebook” for guiding its implementation. Among these rules were those intended to resolve and bring order and transparency to both the measurement and to the reporting to the UNFCCC of international climate finance.²⁴

²¹ The Rio Markers for climate mitigation and adaptation is implemented in the OECD DAC CRS. Project marked 0 have no climate objectives; projects marked 1 have one climate objective among several other project objectives; projects marked 2 have climate as their principal objective. Providers report the full budget for projects with Rio Marker 2 to the UNFCCC, but the value reported for Marker 1 range from 100% to 20%. See *OECD DAC Rio Markers for Climate Handbook* at https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf. For a list of the share of significant purpose budgets reported see OECD DAC, “Results of the survey on the coefficients applied to Rio Marker Data when reporting to the UN Conventions on Climate Change and Biodiversity,” DCD/DAC/STAT(2020)41/REV1, 27 April, 2021, accessed July 2021 at [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT\(2020\)41/REV2&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT(2020)41/REV2&docLanguage=En).

²² See OECD, “2020 Projections of Climate Finance Towards the USD 100 billion Goal: Technical Note,” 2016, accessed at <https://www.oecd.org/environment/cc/Projecting%20Climate%20Change%202020%20WEB.pdf>.

²³ See for example, “Antonio Guterres on the climate crisis, ‘We are coming to a point of no return,’” Guardian, June 11, 2021, accessed July 2021 at <https://www.theguardian.com/environment/2021/jun/11/antonio-guterres-interview-climate-crisis-pandemic-g7>.

²⁴ For an explanation and overview of the “Paris Rulebook”, see World Resources Institute, “Explaining the Paris Rulebook,” June 2019, accessed October 2019 at <https://wriorg.s3.amazonaws.com/s3fs-public/unpacking-paris-agreement-rulebook.pdf>

The negotiated compromise reached at COP24 revolved around greater transparency, specificity, and detail on climate finance, with reporting mandatory for developed countries (and encouraged and voluntary for other countries). However, much is still left to the discretion of the reporting party, with a high degree of flexibility in determining what is climate finance (e.g. support for fossil fuel related activities that reduce carbon intensity) and how to report it.

What will be different in climate finance reporting after 2020 when the rules come into force is greater transparency in developed country UNFCCC reports. They are required to provide information on what they are reporting (what they consider to be international climate finance) and how they are calculating their contributions.²⁵ But there is still no agreed consistency in a common approach to these questions between reporting parties. When implemented in their 2020 reports to the UNFCCC, close scrutiny will still be required for assurance that all providers are reporting climate finance fairly and consistently. Developing country trust is likely to continue to be a significant issue in climate finance negotiations.

For bilateral developed country providers, the OECD DAC Rio Marker is the main option for determining their climate finance based on their own assessment of the main objectives of each project. Since providers have different practices regarding Marker 1 (climate one objective among several), the credibility of the OECD's total bilateral climate finance can be questioned, and it is difficult to compare providers' relative efforts. Therefore, to compare providers fairly, budgets for Marker 1 projects must be adjusted with a common approach across all providers. As noted above, the approach taken in this paper is to include Marker 1 climate-related projects at 30% of their budget or disbursements.²⁶ While the level of this adjustment is arbitrary, it acknowledges the importance of mainstreaming climate concerns in projects, but also takes into account the fact that these projects have different overall objectives and sectoral priorities.

The implications for trends in reported OECD DAC climate finance with an adjusted bilateral climate finance are presented in **Chart One**. There is a noticeable difference in trends. The OECD data shows a modest increase in bilateral climate finance from a two-year average \$24.5 billion in 2014

²⁵ For example, there are no rules around reporting fossil fuel energy as part of climate finance (e.g. "clean coal"). At this point the OECD does not include clean coal in their reporting, but some providers such as Japan consider such support climate mitigation. Many of the reporting rules are qualified "to the extent possible" leaving broad room for differences. Climate finance under the agreement can include not only concessional loans and grants to developing country partners, but also non-concessional loans, equity, guarantees, insurance and other forms of finance. With loans a major part of climate finance (see below) there is no compulsory reporting of net finance accounting for loan repayments. Loan and investment guarantees require no budgetary allocation on the part of developed country providers. See Tomlinson, *The Reality of Canada's International Climate Finance* op. cit. 2019 for more detail on the results of COP24 and the Paris Rulebook.

²⁶ The paper adjusts bilateral climate finance by including all principal purpose climate finance (Marker 2) at 100% of budget, dividing equally between the two purposes the budget of projects where the purpose is both mitigation and adaptation, including Marker 1 at 30% of budget, and excluding projects as Marker 1, when Marker 2 is indicated for one or other of mitigation or adaptation (in which case the budget is included at 100%).

and 2015 to \$28.8 billion in 2019 (by 18%). Adjusted provider data, on the other hand, indicates a slight decrease in bilateral climate finance from a two-year average of \$14.4 billion in 2014 and 2015 to \$13.6 billion in 2019, which is just over a third of the \$37.3 billion *Roadmap* target for 2020. Bilateral climate finance (adjusted) has been essentially flat lined for three years since 2014.

Chart One: Trends in International Climate Finance

Source: OECD, Climate Finance Provided and Mobilized by Developed Countries in 2013-19, Bilateral Adjusted is OECD DAC Bilateral Provider Perspective, Significant Purpose (Rio Marker 1 adjusted to 30%, Loans adjusted at Grant Equivalency, Total Commitments

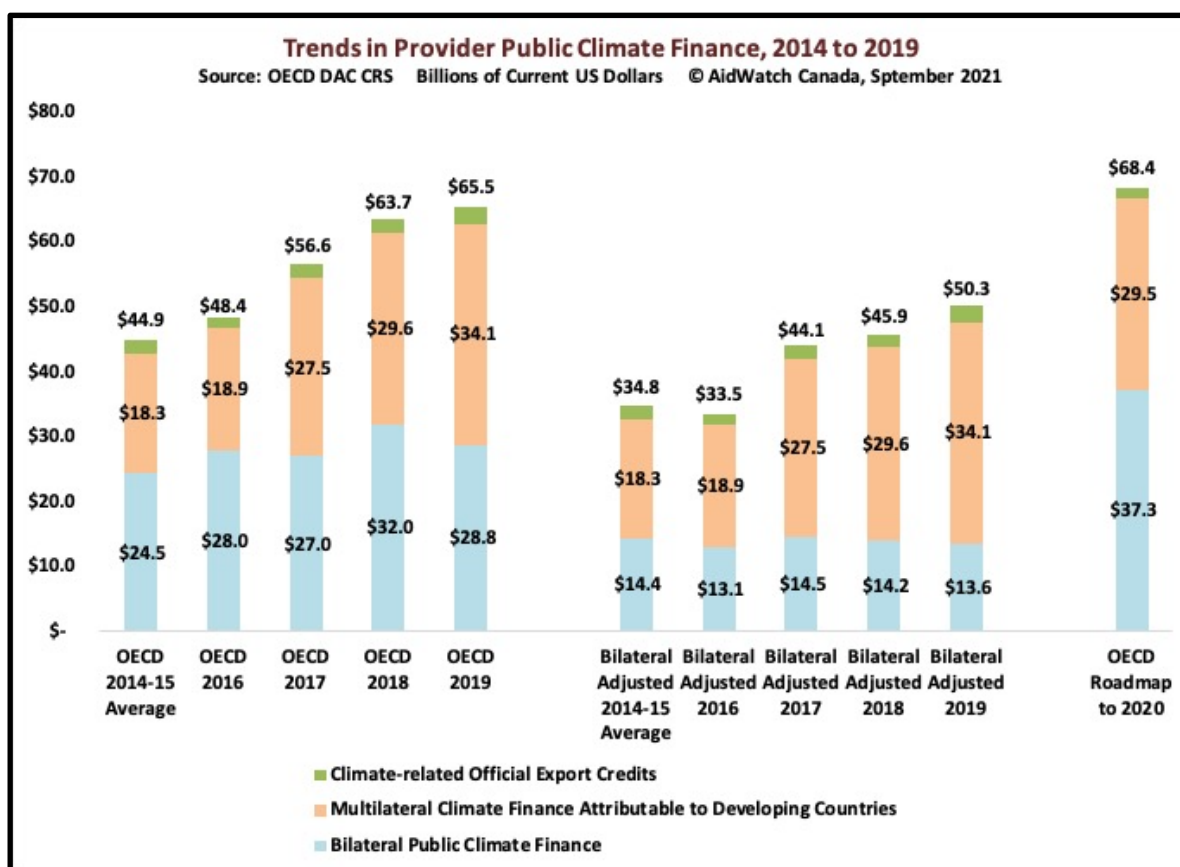


Table One: Top 10 DAC Providers, Share of Total (Adjusted) Bilateral Climate Finance, 2019

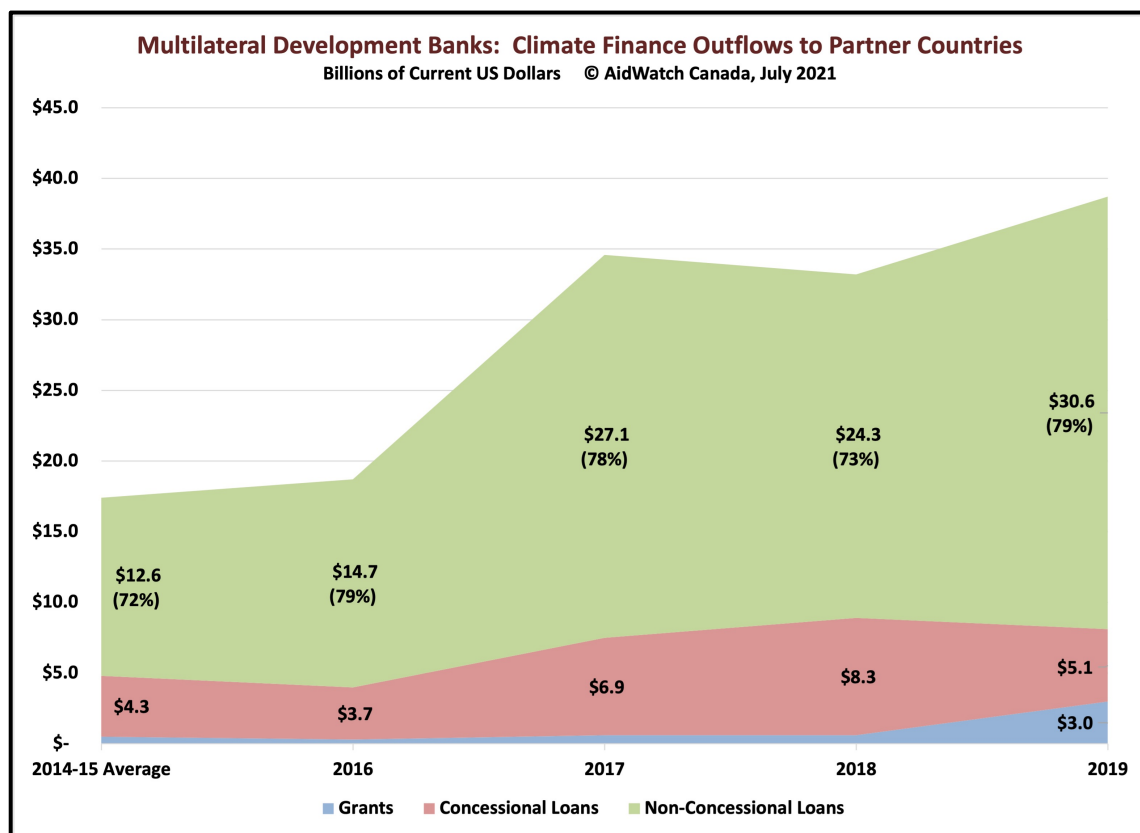
Donor	Share of Climate Finance	Donor	Share of Climate Finance
1) Germany	23.2%	6) United States	4.7%
2) European Union	17.3%	7) Netherlands	4.4%
3) France	13.4%	8) Norway	3.3%
4) Japan	10.9%	9) Sweden	3.1%
5) United Kingdom	6.5%	10) Denmark	2.1%

Bilateral climate finance has also been highly concentrated among a few providers. In 2019, just five providers, including the European Union, made up 71% of bilateral climate finance (adjusted) commitments. The top 10 accounted for 89%. (**Table One**)

As is apparent in **Chart One**, much of the growth in climate finance since 2014 has been through multilateral channels (which is even more pronounced if bilateral finance channelled through Multilateral Development Banks (MDBs) would also be considered). According to the OECD, multilateral financing has increased from a two-year average of \$18.3 billion in 2014-15 to \$34.1 billion in 2019 (by 86%), with finance from MDBs more than doubling from \$14.4 billion in 2015 to \$30.0 billion in 2019. However, non-concessional loans make the largest share of climate financing by the MDBs (79% of finance in 2019). (**Chart Two**)

Chart Two: Modalities for MDB Climate Finance, Percentage of Total MDB Climate Finance

Source: OECD DAC Climate Finance Recipient Perspective, Loans at gross face value



Non-concessional loans have zero value from the perspective of grant equivalency. In a recent report on international climate finance, Oxfam International argued that these loans should be discounted in an assessment of the public finance component of the \$100 billion commitment as they ultimately represent a cost to recipient partner countries. Under the reporting rules established through the Paris Agreement, however, non concessional loans can be reported in a provider's biannual reports to the UNFCCC. Oxfam's estimate of total public net climate finance in 2017/18 (two-year average) is between \$18 billion and \$22.5 billion, in contrast to the \$60 billion

reported by the OECD DAC for these years.²⁷ These wide disparities in determining progress in reaching the \$100 billion target affect future negotiations on climate finance, post-2025. Without improved standards and accounting rules, trust is significantly eroded.²⁸

The \$100 billion target also includes mobilized private finance for climate mitigation or adaptation if it was mobilized through public finance (e.g. through a Development Finance Institution). In 2019, the OECD determine that \$14 billion in private sector finance was mobilized through public finance instruments. The methodology deployed by the OECD for determining mobilized private sector climate finance has evolved but remains unclear, with differences in methodology with the MDBs.²⁹ This amount in 2019 nevertheless fell far short of the *Roadmap* target of \$31.6 billion by 2020.

Determining a causal attribution of the mobilized private finance for climate purposes to a public finance instrument can also be problematic. Would the investment take place in the absence of public finance? The latter can include public finance guarantees for loan and investments (accounting for more than 40% of blended financing overall). It is important to note that guarantees are not actual expenditures, which only take place if the loan or investment defaults. Unfortunately, there is no transparency at the level of project detail to verify the amounts and allocations of this finance (and in the case of the World Bank's International Finance Corporation, OECD officials themselves were only allowed to view data in an IFC secured room).

It is apparent that without the seemingly significant investment in climate finance through the multilateral system, and in particular the MDBs, international climate finance is widely off the mark of \$100 billion by 2020.

The UK COP26 Presidency have asked Canada and Germany to co-lead a roadmap process in the lead-up to the November 2021 meeting to build trust that donors will deliver \$100 billion annually through 2025. What is known so far?

- In September President Biden pledged that US climate finance would total \$11.4 billion per year by 2024.
- In 2019 the UK announced that it would double its total climate finance for the period 2021/22 to 2025.26 to £11.6 billion (\$8.5 billion).
- Canada has also doubled its five-year climate pledge to Cdn\$5.3 billion (US\$4.0 billion) between 2021 to 2025.

²⁷ Oxfam International, *Climate Finance Shadow Report 2020, Assessing progress towards the \$100 billion commitment*, prepared by Tracy Carty, Jan Kowalzig, and Bertram Zagema, October 2020, accessible at <https://www.oxfam.org/en/research/climate-finance-shadow-report-2020>. Similar to the adjustments on bilateral climate finance in Chart One, the Oxfam authors have also adjusted bilateral climate finance, significant purpose, to 30% to 40%, and grant equivalency for loans, with results consistent with Chart One adjusted bilateral climate finance.

²⁸ See Anca Gurzu, "Unmet climate finance promises are damaging global trust: UN climate chief," Devex, April 22, 2021, accessible at <https://www.devex.com/news/unmet-climate-finance-promises-are-damaging-global-trust-un-climate-chief-99730>.

²⁹ See OECD, 2020, *op. cit.*, Annex B, page 47-48.

- Germany announced that it will increase annual international climate financing from the current four billion euros to six billion euros (\$7 billion) by 2025.
- France has reaffirmed its commitment to €6 billion (\$7 billion) annually out to 2025 (up from €5 billion in 2020).
- Japan has committed to extend climate finance of JPY 6.5 trillion (\$58.9 billion) over the next 5 years, from 2021 to 2025.
- The European Union will commit an additional €4 billion (\$5 billion) for low income and climate vulnerable countries by 2027. It has affirmed that it will increase its climate finance to €24 billion (\$28.1 billion) over 2021-27.

4. Weak accountability for international climate finance

Systematic accountability in addressing the climate crisis has been very problematic over the past decade. As demonstrated in the previous section, after more than a decade, even the allocations of international climate finance against the 2020 \$100 billion commitment are still highly contested.

While amounts are contested, there is also limited official assessments of this finance in relation to its potential effectiveness as a development and climate resource. The remaining sections of the paper look at the development effectiveness of climate finance in two dimensions – a) allocation of this finance for direct impact on vulnerable populations and countries; and b) consistency with the long-standing principles that define effective development cooperation (democratic country ownership, a focus on country-determined results, inclusive partnerships, and transparency and mutual accountability).

Much of provider climate resources, both bilateral and multilateral, have been reported by the provider to the OECD DAC as Official Development Cooperation (ODA). As noted above, the OECD DAC maintains an important database on reported climate finance, which is widely cited by analysts in climate finance.³⁰ While the DAC is careful in avoiding double counting, particularly in relation to multilateral finance, they too rely on provider reports to the UNFCCC under different rules in constructing their annual reports.

Compounding accountability challenges, climate finance has been allocated through many different channels, some of which are bilateral projects, others dedicated multilateral funds in existing institutions, and still others newly created multilateral vehicles, such as the Green Climate Fund (GCF). Developing countries face an uncoordinated, project-based and often opaque international climate finance architecture, which is difficult to navigate and certainly a barrier to clear accountability in coherent international financing strategies for financing their climate priorities.³¹

³⁰ DAC data for climate finance can be found in its CRS tables under the Rio Marker for climate adaptation and/or mitigation as well as on this dedicated OECD page: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>.

³¹ See Watson, Charlene (ODI), and Schalatek, Liane (HBS), “The Global Climate Finance Architecture,” ODI and Heinrich Boll Stiftung, February 2020, accessible at <https://climatefundsupdates.org/wp->

The Green Climate Fund (GCF) was launched and mandated by the UNFCCC to be its primary channel for climate finance. The GCF has a North / South governance structure for decision making, giving it legitimacy as a financing instrument. It is seen to be transparent in its operations. But resourcing the GCF has been fraught with early difficulty, with both the United States and Australia withdrawing their pledges in 2016. Less than \$8 billion in pledges were honoured in its first iteration and a first replenishment launched in 2018 achieved a modest target of \$10.3 billion (as of September 2020). In April 2021, the United States special climate envoy, John Kerry, recommitted the US administration to finance the GCF, as an “indispensable player” in climate finance. An initial request to Congress for \$1.25 billion was made in the current budgetary cycle, representing part of the \$2 billion that was revoked by the Trump Administration.³² While a crucial resource for partner countries, the GCF is not yet seen to be the pre-eminent climate-financing channel as intended with its launch in the Paris Agreement.

Much more is required of the international community, particularly in relation to accountability to the most vulnerable people and countries. They are the ones to bear a high cost from the climate crisis in the coming decades, with limited capacities and resources to respond. A focus on their priorities is crucial for an approach to climate finance that is consistent with Agenda 2030 (and its commitment to leave no one behind), international human rights norms, and international climate justice (those responsible for the climate crisis should bear the burden). According to Philip Alston, the UN Special Rapporteur on Poverty and Human Rights.

“It is crucial that climate action is pursued in a way that respects human rights, protects people in poverty from negative impacts, and prevents more people from falling into poverty. This would include ensuring that vulnerable populations have access to protective infrastructure, technical and financial support, relocation options, training and employment support, land tenure, and access to food, water and sanitation, and healthcare. Women face particular challenges in the face of climate change.”³³

It is then important to ask whether current allocations in climate finance are meeting these needs. As will be developed in the last section, this accountability may be more possible at the country level than globally through the UNFCCC.

[content/uploads/2020/03/CFF2-2019-ENG-DIGITAL.pdf](https://www.unfccc.org/content/uploads/2020/03/CFF2-2019-ENG-DIGITAL.pdf). See the diagrammatic representation of this architecture on page 2.

³² “US climate envoy supports “indispensable” GCF role during climate forum,” Green Climate Fund Press Release, April 21, 2021, accessible at <https://www.greenclimate.fund/news/us-climate-envoy-supports-indispensable-gcf-role-during-climate-forum>.

³³ Philip Alston, “Climate change and poverty: Report of the Special Rapporteur on extreme poverty and human rights”, A/HRC/41/39, June 25, 2019, para 78, accessed August 2019 at https://www.ohchr.org/Documents/Issues/Poverty/A_HRC_41_39.pdf.

5. Is climate finance addressing the needs of the most vulnerable?

With existing challenges in data, transparency, and consistency in rules on what constitutes climate finance for providers, there are limited options for analyzing the degree to which climate finance focuses on the needs of the most vulnerable countries and populations. However, several proxies can serve to indicate some trends in climate finance up to 2019.

These indicators include:

1. The balance between adaptation and mitigation;
2. A focus on Least Developed and Small Island Developing States (SIDSs);
3. The role of loans and grants in climate finance;
4. Gender equality objectives in climate finance commitments; and
5. The impact of principal-purpose mitigation finance on providers' ODA.

Vulnerable countries and peoples require substantial allocations of finance to adapt to climate impacts already build into current levels of atmospheric greenhouse gases. The Least Developed and SIDSs have the least capacity and resources to meet their climate change objectives and many developing countries are challenged by increasing debt burdens. Strengthening women's equality and empowering women as development actors will be an essential dimension of responses that are inclusive and just. Finally, the impact of climate finance taken from aid budgets is an important factor affecting the allocation of aid for other poverty-reduction purposes.

5.1 The balance between adaptation and mitigation

The *Paris Agreement* calls for “the provision of scaled-up financial resources [which] should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, ... considering the need for public and grant-based resources for adaptation.” [Article 9, 4]

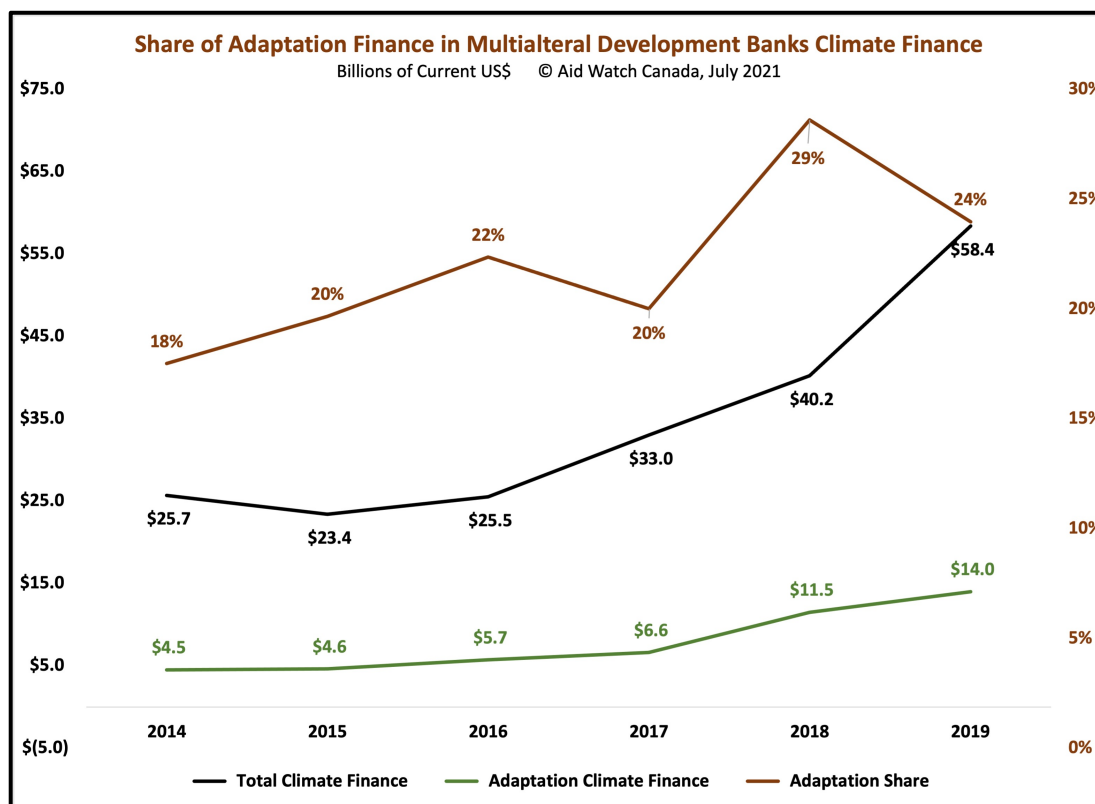
The Global Commission on Adaptation, lead by former Secretary General Ban-ki-moon, Bill Gates and Kristalina Georgieva, CEO, World Bank, launched *Adapt Now: A Global Call for Leadership on Climate Resilience* in September 2019, with an urgent call to ramp up adaptation finance.³⁴ The Commission notes the critical importance of addressing plausible and highly damaging and catastrophic scenarios (for example, increased drought and storms, deteriorating ocean environments affecting livelihoods, increase in the spread of diseases for which health systems are ill prepared). These impacts threaten the existence and livelihoods of many communities and societies. They draw attention to World Bank evidence that climate change could push 100 million more people below the extreme poverty line by 2030, with disproportionate impacts on women and girls.

³⁴ The Global Commission on Adaptation, *Adapt Now: A Global Call for Leadership on Climate Resilience*, 2019, accessed October 2019 at https://cdn.gca.org/assets/2019-09/GlobalCommission_Report_FINAL.pdf.

The Commission calls on providers to invest \$1.8 trillion in five key areas for adaptation by 2030.³⁵ The UNEP's *Adaptation Gap Report 2020* puts the annual adaptation costs in developing countries currently at \$70 billion, which is expected to reach \$140 to \$300 billion by 2030 and \$280 to \$500 billion by 2050. While there have been some modest improvements in recent years, the adaptation gap is far from narrowing to reach these targets.³⁶

Chart Three: MDB Adaptation Finance

Source: Joint Report on Multilateral Development Banks Climate Finance, Various Years



What has been the trends in adaptation climate finance? According to the OECD, mitigation financing has consistently represented over two-thirds of total climate finance provided and mobilized in recent years. In relative terms, the share for adaptation finance grew modestly from 23% of climate finance in 2016 to 31% in 2019.³⁷ Oxfam, in its shadow report, notes a large increase

³⁵ The five areas that the Commission considered for this estimate are early warning systems, climate-resilient infrastructure, improved dryland agriculture crop production, global mangrove protection, and investments in making water resources more resilient. They acknowledge that these areas are not intended to exclude other aspects of adaptation such as health systems or small-scale agriculture.

³⁶ United Nations Environment Programme, *Adaptation Gap Report 2020*, Nairobi, 2021, page XIV, accessed July 2021 at <https://www.unep.org/resources/adaptation-gap-report-2020>.

³⁷ OECD, 2021, *op. cit.*, page 7.

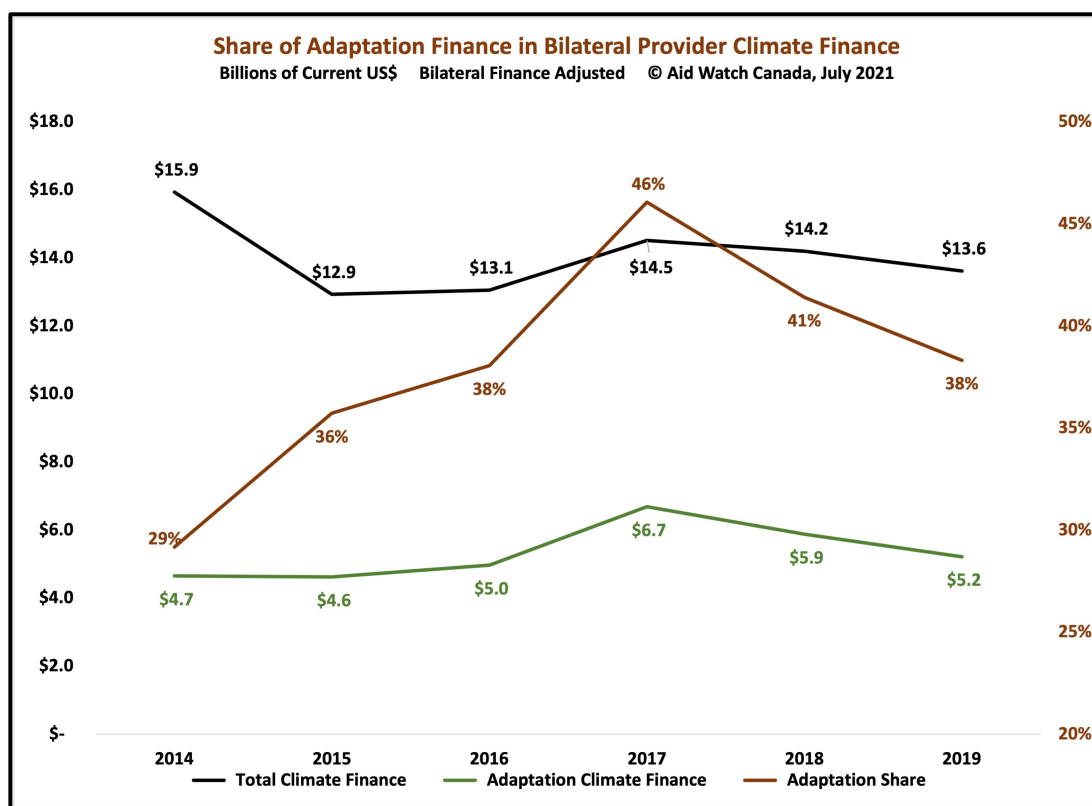
in volume for adaptation finance between 2016 and 2018, but they still put adaptation finance at 25% of climate finance in the two-year period, 2017 and 2018.³⁸

Some of the growth in adaptation finance has been from the Multilateral Development Banks, albeit starting from a low level. MDB adaptation finance has more than doubled since 2016 to \$14 billion in 2019, but is still only 24% of total MDB climate finance. **(Chart Three)**

At the multilateral level, even the UNFCCC-mandated Green Climate Fund struggles to achieve an adaptation/mitigation balance. A review of 182 projects financed up to July 2021 (\$9.5 billion) reveals that only 33% of committed funds have been directed to adaptation.³⁹

Chart Four: DAC Providers Bilateral Adaptation Finance

Source: OECD DAC Provider Climate Finance, various years, significant purpose adjusted to 30% and loans at grant equivalency



DAC providers had been improving their performance in adaptation finance as a share of total climate finance up to 2017, but this share has declined since to 38% of their adjusted total climate finance by 2019. **(Chart Four)** The dollar value of adaptation also declined by 12% from \$6.7 billion to \$5.2 billion. More than half of bilateral adaptation finance is through projects where adaptation is only one of several objectives. Examining the performance of principal purpose adaptation

³⁸ Oxfam International, 2020, *op. cit.*, page 17.

³⁹ Tomlinson, 2021, *The Reality of Canada's International Climate Finance, 2021, op. cit.*, Annex Twelve.

finance (adaptation is the main objective of the project), the share of adaptation in principal purpose climate finance declined from 42% in 2017 to 26% in 2019, and from \$4.1 billion to \$2.1 billion.

A recent report by CARE offers a unique review of 112 multilateral and bilateral adaptation projects, with the conclusion that “donors routinely exaggerate the adaptation finance component of their projects.” Figures for adaptation finance “are severely overstated and far too high,” equivalent to 42% of the reported totals for these 112 projects, which represented a broad spectrum of adaptation finance. Some of the projects that were examined, for example, included large infrastructure projects that had little to do with adaptation.⁴⁰ Researchers have also questioned the impacts of adaptation finance, points to negative results, what the authors’ term ‘maladaptation’. This work reveals that some adaptation projects have made people more, not less, vulnerable to climate change. These analysts highlight a lack of sensitivity to socio-political dynamics that made people vulnerable in the first place, including the livelihoods of poor people in adjacent areas of a project, and the critical importance of considering systemic inequalities.⁴¹

The authors of these studies concluded that maladaptation often occurs when there is little or no participation by marginalized groups in the design and implementation of projects. For example, despite women’s critical roles in key sectors, such as agriculture and food security which are highly affected by climate change, women-led climate change responses tend to be largely excluded from global climate finance flows.⁴²

Clearly, much greater efforts are also needed in mitigation international finance to achieve the 1.5° Celsius Paris Agreement target (as well as making mitigation an urgent priority in provider countries themselves). But given the likely future impacts on climate already built into existing and expected greenhouse gas levels, current allocations for adaptation are woefully inadequate to create greater resilience in development approaches and adapt infrastructure, needed to protect vulnerable populations. Providers not only fall short of their commitment to achieve a balance for adaptation finance, but also in closing the widening adaptation financing gap.

⁴⁰ CARE Denmark and CARE Netherlands, Climate Adaptation: Fact or Fiction?, a report written by Andrew Hattle, April 2021, accessed at https://careclimatechange.org/wp-content/uploads/2021/01/CARE_Synthesis-report_Final_April-2021.pdf.

⁴¹ Lisa Schipper et al, “Why avoiding climate change ‘maladaptation’ is vital,” Carbon Brief Blog, February 10, 2021, accessed at <https://www.carbonbrief.org/guest-post-why-avoiding-climate-change-maladaptation-is-vital>. See also Eriksen, S. et al. “Adaptation interventions and their effect on vulnerability in developing countries: Help, hindrance or irrelevance?,” World Development, Vol 141, May 2021, accessed at <https://www.sciencedirect.com/science/article/pii/S0305750X20305118>.

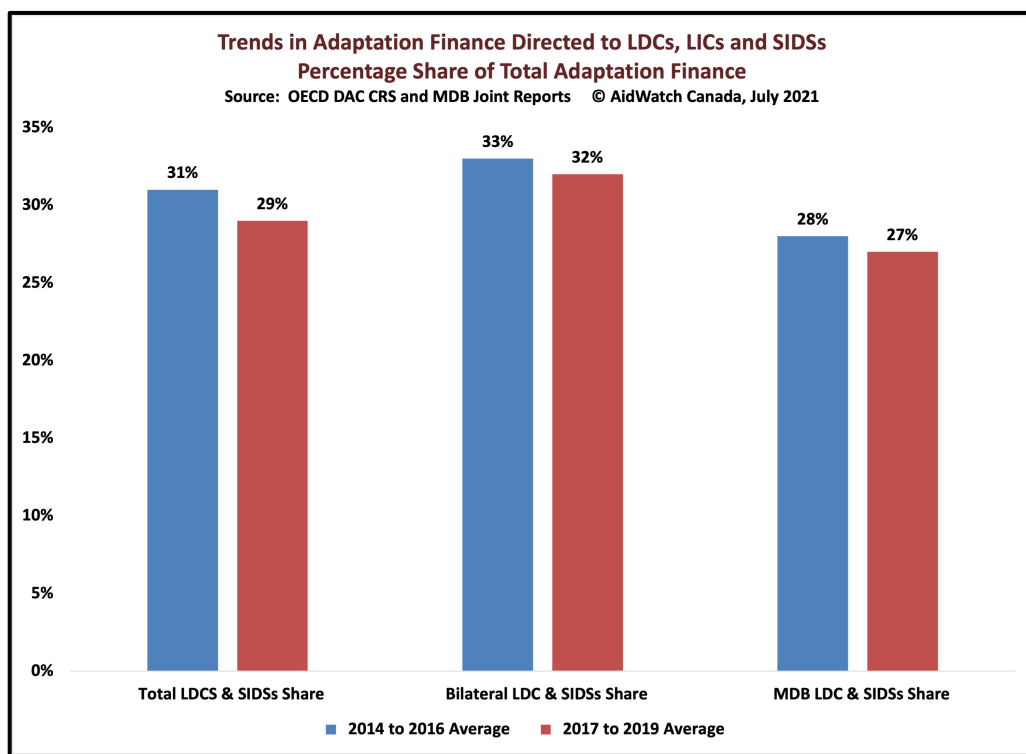
⁴² See The Equity Fund and the Nobel Women’s Initiative, “Supporting Women’s Organizations and Movements: A Strategic Approach to Climate Action,” February 2020, accessed at https://nobelwomensinitiative.org/wp-content/uploads/2007/02/Climate-Brief_Feb2020_Final.pdf.

5.2 How much climate finance is focused on Least Developed and Small Island Developing States?

The *Paris Agreement* calls for developed countries to pay particular attention to “those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation.” (Article 9, [4]) The degree to which current climate finance for adaptation addresses the needs of these countries is an indicator of provider coherence with this Paris commitment.

A review of bilateral and MDB climate finance estimates that only 29% of adaptation finance was directed to Least Developed (LDCs), Low Income and Small Island Developing States (SIDSs) on average between 2017 and 2019. This share has declined in recent years from an average of 31% between 2014 and 2016. Bilateral providers perform somewhat better than the MDBs, with an average of 32% of climate finance in the years 2017 to 2019 devoted to adaptation, compared to 27% for MDBs (See **Chart Five**). The Green Climate Fund performed somewhat better with LDCs receiving 35% of total GCF funds explicitly devoted to adaptation.⁴³

**Chart Five: Adaptation Finance to Vulnerable Least Developed and Small Island States:
Share of Total Bilateral and MDB adaptation climate finance**



⁴³ Tomlinson, 2020, *The Reality of Canada's International Climate Finance, 2020*, op. cit., Annex Five. This estimate includes half of commitments where adaptation and mitigation are cross purposes in the same projects.

5.3 What is the share of loans and grants in international climate finance?

While the *Paris Agreement* stresses the importance of “grant-based resources for adaptation” (Article 9, para 4), the level of loans in the overall profile of climate finance is an ongoing concern. The IMF is paying increasing attention to the financial sustainability of debt in low-income countries and some middle-income countries. The wide-spread use of loans to governments and the private sector in developing countries for climate projects will seriously exacerbate debt distress for many of these countries, now compounded by the pandemic.⁴⁴

The economic and fiscal fall-out of the pandemic for developing countries critically exacerbated their debt crisis. There are currently 36 low-income countries at or near serious debt distress.⁴⁵ EURODAD, a European NGO that monitors debt and development issues, recently calculated that at least 62 developing countries spent more on debt service than on health care in 2020, despite a moratorium on debt servicing for the poorest countries. Much of the World Bank and IMF special pandemic assistance for the poorest countries has been provided as concessional loans. Already in 2020, developing countries were spending \$194 billion more on servicing their external public debt than they received in new loans, more than the total value of Official Development Assistance (ODA) in that period.⁴⁶

The deployment of loans in official international climate finance can only intensify this debt crisis and limit the fiscal capacities of many developing countries to implement their Nationally Determined Commitments under the Paris Agreement. As a basic principle of climate justice, developing countries should not be responsible for paying developed countries (principal and interest on loans) for measures to adapt or mitigate the impacts of climate change, for which developed countries alone are largely responsible.

The overall use of loans on the part of bilateral providers has been declining modestly from 45% of climate finance in 2014 to 35% in 2019. (**Chart Six**) Reflecting the commitment in the *Paris*

⁴⁴ See UNCTAD, “Growing concern on debt sustainability in some developing countries and LDCs,” June 2019, accessed August 2019 at <https://sdgpulse.unctad.org/issues-debt-sustainability/>. This note highlights the concern for increasing private sector debt in developing countries: “By 2017, non-financial corporate debt in emerging market economies had risen to over \$30 trillion, almost 95 per cent of their combined GDP, surpassing comparable levels for developed markets (*Financial Times*, 2018). It is difficult for large corporations in developing countries to sufficiently hedge their foreign-currency debt exposure. Their liabilities are, therefore, ultimately backed by foreign currency reserves in their domestic economy. If private sector external debt becomes unsustainable, governments often have no choice but to transfer the bulk of this debt onto public balance sheets.”

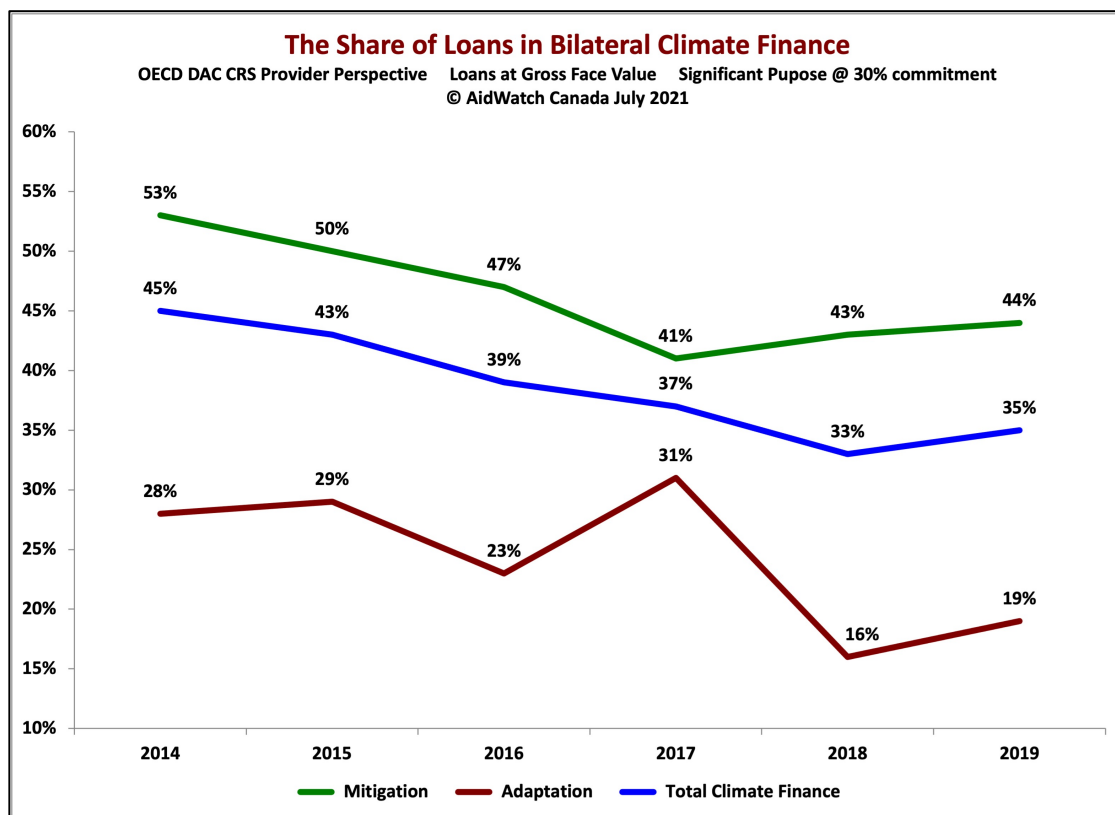
⁴⁵ <https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf>.

⁴⁶ Eurodad, “A Debt Pandemic: Dynamics and implications of the debt crisis in 2020,” Briefing Note by Daniel Munevar, March 2021, accessed at <https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2112/attachments/original/1622627378/debt-pandemic-FINAL.pdf?1622627378>. See also Bodo Ellmers, “The New Debt Crisis and What to Do About It,” Briefing, Global Policy Forum, June 2021, accessed at https://www.globalpolicy.org/sites/default/files/download/Briefing_0621_Debt_Crisis.pdf.

Declaration, the use of loans for adaptation has declined significantly since 2017, but still makes up 20% of adaptation finance.

Three providers – France, Germany, and Japan – account for almost all loans in climate finance, and these three are among the largest climate finance providers. Together they make up 95% of loans in 2019. Almost two-third (64%) of the climate finance for these providers together was delivered through loans. France provided 64% of their finance to adaptation as loans, while Japan’s share was 50%, and Germany’s share was 29% of its adaptation finance. Canada delivered 75% of its climate finance as loans.

Chart Six: Loans in Bilateral Climate Finance as a Share of Total Bilateral Climate Finance



Section 3 above (**Chart Two**) noted the very high proportion of loans in climate finance provided by the MDBs, the vast majority with non-concessional terms. Oxfam’s Shadow Report concluded that 20% of reported public climate finance was delivered as grants, compared to 80% as loans and other non-grant instruments, of which 40% was non-concessional. Non-concessional finance was seen to have increased by 10% between the 2015-16 average and the 2017-18 average. They also note that grant-based climate finance has flatlined as a share of total climate finance.⁴⁷

⁴⁷ Oxfam International, 2020, *op. cit.*, page 14 and 15.

Combining bilateral and multilateral finance, the OECD DAC estimates that more than 70% of climate finance is loan finance in 2019, almost unchanged from 72% in 2016.⁴⁸

5.4 To what degree are gender equality objectives included in climate finance?

Mainstreaming gender equality in climate finance is a critical dimension that will ensure inclusive and potentially transformative impacts for both adaptation and mitigation. Women play crucial roles in the adoption of resilient agricultural practices for example. In relation to mitigation, current initiatives tend to ignore small-scale projects supporting clean development mechanisms of greater benefit to women's roles in the household, and women are often disproportionately affected by unintended consequences of large-scale energy infrastructure development, all crucial areas for mitigation efforts.

Currently, the only measure of gender equality objectives in development or climate projects is the OECD DAC's Gender Equality Marker. This Marker identifies projects in which gender equality is the principal objective (Marker 2) and projects in which gender equality is "mainstreamed" as one among several project objectives (Marker 1).

Projects where gender equality is the principal objective is a good indicator of the degree to which providers are serious about their policies relating to gender equality and women's empowerment. Gender Equality Marker 1 has serious limitations in measurement and quality assurance.⁴⁹ Merely placing an objective for relating to gender equality within a project's many objectives will not accomplish the mainstreaming of issues for vulnerable women and girls in responding to the climate crisis.

A recent CARE analysis of gender-transformative adaptation, based on case studies, concluded that such projects must carry out climate vulnerability analysis that addresses the power dynamics, priorities, and preferences of women.⁵⁰ They must devote specific budget to activities that will drive gender transformation on the ground. In many cases they must be accompanied by actions that also address structural barriers to gender equality, such as land ownership, division of labour and roles of women in decision-making. Unfortunately, there are no provider measures in place to assess such approaches or even verify the gender-mainstreaming Marker in climate finance projects.

⁴⁸ OECD DAC, 2021, op. cit, p. 8.

⁴⁹ Marker 1 projects are counted for gender equality by the DAC at 100% of their budget / disbursements even though gender equality is only one of several objectives. Unlike climate finance where activities tend to be distinct, gender mainstreaming is more complex and not easily reducible to a percentage share of the budget / disbursements for marker 1 projects.

⁵⁰ Karl Deering, "Gender Transformative Adaptation: From good practice to better policy," CARE, June 2019, accessed August 2019 at <https://insights.careinternational.org.uk/publications/gender-transformative-adaptation-from-good-practice-to-better-policy>.

Table Two: Climate Finance and DAC/EU Gender Marker

DAC CRS Gross Commitments, Provider Perspective, 2019, Significant purpose climate finance at 30% of Project Disbursements

DAC Gender Marker Billions of US\$	Mitigation	Adaptation	Total Climate Disbursements
0 (No gender objectives)	\$6.1 (54% of mitigation)	\$1.5 (29% of adaptation)	\$7.6 (46% of total climate)
1 (One gender objective among others)	\$5.1 (45% of mitigation)	\$3.4 (67% of adaptation)	\$8.5 (52% of total climate)
2 (Gender is principal purpose)	\$0.1 (1% of mitigation)	\$0.2 (4% of adaptation)	\$0.3 (2% of total climate)

There is insufficient data to assess gender equality and empowerment is total climate finance. But the OECD data on DAC bilateral and European Union climate finance gross annual disbursements for climate-related projects provides a proxy for the degree to which these issues likely inform climate finance as a whole. In 2019, just under half (46%) of climate disbursements had no gender equality objective, which has improved from 66% in 2017. **(Table Two)** A mere \$300 million in project climate finance or 2% of total DAC/EU climate finance for that year had a focus on gender equality as a principal purpose of the project (irrespective of the mitigation or adaptation objectives). The remaining 52% of disbursements were for projects where there was at least one gender equality objective, and a disproportionate amount (67%) was concentrated among adaptation projects.

A commitment to develop gender equality policies in relation to climate finance is improving. But applying these policies to understand success factors and respond with gender transformative climate adaptation and mitigation is an essential condition for climate finance addressing major vulnerabilities for women and girls in climate change impacts.

5.5 What is the impact of climate finance on providers' ODA performance?

At the Bali COP13 in 2007, developed countries assured developing countries that ramping up international climate finance would not affect ODA dedicated to other urgent purposes such as health, education, or improved governance. In 2009, developed countries reaffirmed in the COP15 *Copenhagen Accord* to, “scaled-up, new and additional, predictable and adequate funding ... to developing countries [emphasis added, §9].”⁵¹

But what constitutes “new and additional” climate finance? Almost all providers' climate finance has been included in their ODA. They are allowed to do so under OECD DAC ODA criteria for ODA if these resources are concessional and focus on the development and welfare of people in developing countries. The 2015 *Paris Agreement* further confused the notion of new and additional by defining it as “a progression beyond previous efforts” [Annex, Article 9]. This approach allows providers to

⁵¹ See <https://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>.

establish their own benchmarks for what constitutes “new and additional.”⁵² In practice almost all climate finance has been included and reported as ODA.

The original commitment that climate finance be new and additional to existing ODA has been a crucial concern for developing country parties, further eroding trust. From a climate justice point of view, developing countries should not be paying for the impacts of climate change they had little part in creating; from a development finance perspective, increased development cooperation for all development goals (meeting the ODA target of 0.7% of GNI) will be crucial if developing countries are to achieve the SDGs. The impact on providers’ ODA is therefore an important measure of the degree to which climate finance is responding to the needs of poor and vulnerable countries and populations.

Table Three provides an overview of the share of bilateral climate finance commitments in total bilateral commitments for select climate finance providers. The focus is on principal purpose climate finance in providers’ ODA, with the assumption that mainstreaming climate challenges in all development programming is increasingly essential in a climate challenged world. The actual impact of climate finance on ODA by this measure has changed over time and is different for each provider. **Table Three** examines the current shares in 2019 for the top 10 providers for principal purpose climate finance (representing 92% of this financing).

For five providers (Austria, France, Germany, Sweden, and Norway) principal purpose climate makes up more than 10% of their current bilateral commitments. In the case of France and Germany, 26% and 18%, respectively, of their bilateral aid commitments is directed to climate mitigation or adaptation purposes, leaving significantly reduced amounts for other urgent areas of development.

For all DAC providers an average of 9% of \$115 billion in total bilateral aid is devoted to climate finance in 2019. This share is certain to grow as climate finance increases and ODA is flat-lined by illiberal politics in many provider countries, which is marginalizing ODA.⁵³ Without a change in policy and approach by providers and the OECD DAC, as international climate finance increases in response to the urgency of the climate crisis, ODA and its availability for realizing the SDGs (addressing widespread poverty and leaving no one behind) will be seriously compromised.

⁵² See the discussion of provider approaches to “new and additional” in Calleja, Rachael, “How do development agencies support climate action,” Center for Global Development Policy Paper #207, March 2021, page 21 and donor table on page 66, accessed at <https://www.cgdev.org/publication/how-do-development-agencies-support-climate-action>.

⁵³ DAC ODA grew in 2020, but increases were largely the result of increased allocations relating to the COVID-19 pandemic.

Table Three⁵⁴

**Select Providers, Bilateral Principal Purpose Climate Finance
As a Share of Real Bilateral ODA Commitments, 2019**

Source: OECD DAC Climate Finance, Provider Perspective, and OECD DAC1 ODA data
Real Bilateral ODA is bilateral ODA net of in-donor refugee and student costs, debt cancellation
and interest received.

Provider (Three-year average, 2015 to 2017)	Principal Purpose, Total Climate Finance, as Share of Bilateral Commitments	Principal Purpose, Mitigation Only, Share of Bilateral Commitments
Austria	55%	53%
France	26%	20%
Germany	18%	14%
Sweden	13%	8%
Norway	11%	10%
Netherlands	8%	5%
EU	5%	3%
United Kingdom	4%	3%
United States	2%	2%
Japan	2%	2%
DAC Providers	9%	7%

Concern should be focused particularly on the use of existing ODA resources for mitigation, which is the largest share of climate finance. Adaptation may be more consistent with good development practice, strengthening resilience in many areas. While mitigation finance is a crucial ingredient to achieving the goals of the *Paris Agreement*, failure of ODA to address SDGs in relation to widespread conditions of poverty, exclusion, and vulnerability, particularly in states with fragile governance, will only exacerbate the impacts of climate change. The latter may affect the capacity of the international community itself to govern in a worsening climate crisis and will lead to substantial demands from developing countries for finance for “loss and damage” as additional climate finance.

⁵⁴ This analysis looks only at principal purpose climate finance where the objectives of the project are exclusively devoted to climate mitigation or adaptation. It is assumed that significant purpose climate finance is rightly a part of the approach of a given project where one objective might relate to climate purposes. It is therefore the former projects that should be considered as “new and additional” to existing ODA.

Given the limitations of data sources, it is not possible to consider the impact of total climate finance on ODA. It is important to keep in mind that the majority of climate finance is allocated through multilateral channels including the MDBs own resources (much of which can be attributed to bilateral providers). Table Three examines only bilateral climate finance included in bilateral ODA multi-year commitments based on available data. Total real bilateral aid is net of in-donor refugee costs, imputed student costs and debt cancellation. Including attributable multilateral finance would likely accentuate the trends for most individual providers, depending on their share in multilateral organizations’ finance. Since multi-year commitments fluctuate from year to year for many small and medium size providers, the average of the three most recent years has been calculated. Table Three is therefore only indicative of the current impact of climate finance on ODA as a whole. But bilateral development finance is a crucial indicator of providers’ priorities since it is allocated directly by the provider.

6. Is climate finance consistent with principles for effective development cooperation?

The notion of development effectiveness has been evolving over the past decade.⁵⁵ At the same time, its implications for provider practices and development outcomes have been affected by a changing and more complex development finance landscape. Emerging cooperation modalities, such as South-South Development Cooperation (SSDC), global International NGOs (INGOs) or blended finance with the private sector, have become more prominent, deepening a debate on development effectiveness. Climate finance is now a growing and important dimension of this finance landscape. Developed country providers will be pressed to respond to the undeniable and urgent need for dramatically increased allocations of climate finance. But seemingly climate finance has yet to be analyzed in relation to lessons from efforts to improve effective development cooperation.⁵⁶

Since 2001, providers and developing country partners have engaged in High Level Fora, which have established benchmarks for assessing the effectiveness of ODA in the context of development cooperation. All stakeholders made commitments to improve the effectiveness of aid and its development impact (2005 Paris Declaration on Aid Effectiveness and the 2011 Busan Partnership for Effective Development Cooperation).⁵⁷

Since 2011, the Global Partnership for Effective Development Cooperation (GPEDC) has brought together providers, multilateral institutions, partner countries, CSOs, the private sector, parliamentarians, and foundations as a unique platform to advance the effectiveness of development efforts by all actors. It aims to support country-level implementation of its internationally agreed development effectiveness principles, which also inform the United Nation's framework for ODA in development finance (see the 2015 UN Financing for Development

⁵⁵ See Mustafizur Rahman and Serajum Monira Farin, "Rethinking Development Effectiveness: Lessons from a Literature Review," Southern Voices, Occasional Paper # 53, April 2019, accessed October 2019 at <http://southernvoice.org/wp-content/uploads/2019/10/Occasional-Paper-Series-No.53-new.pdf>; Shannon Kindornay, "From Aid to Development Effectiveness: A Working Paper," The North-South Institute, January 2011, access October 2019 at <http://www.nsi-ins.ca/wp-content/uploads/2012/10/2011-From-aid-to-development-effectiveness.pdf>. See also the GPEDC Knowledge Platform for Effective Development Cooperation at <https://knowledge.effectivecooperation.org/>.

⁵⁶ The responses of SSDC and INGO actors will also be increasingly driven by the climate crisis, but the application of development effectiveness principles to these modalities in development cooperation is distinct and beyond the scope of this analysis. See for example, Neissan Besharati, "Measuring the Effectiveness of South South Cooperation," Southern Voice, Occasional Paper # 52, April 2019, accessed October 2019 at http://southernvoice.org/wp-content/uploads/2019/10/191010-Occasional-Paper-Series-No.-52_final-1.pdf. See also Open Forum, "The Siem Reap CSO Consensus on the International Framework for CSO Development Effectiveness," 2011, accessed October 2019 at <https://www.csopartnership.org/single-post/2018/02/15/The-Siem-Reap-CSO-Consensus-on-the-International-Framework-for-CSO-Development-Effectiveness> and Costanza De Toma, Accelerating the Implementation of the Istanbul Principles by INGOs in a Changing Development Landscape. CPDE, April 2019, accessed at <https://csopartnership.org/resource/cpde-icsso-guidelines-paper/>

⁵⁷ See the 2005 Paris Agreement, the 2008 Accra Agenda for Action and the 2011 Busan Declaration at <https://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>, <https://www.oecd.org/dac/effectiveness/49650173.pdf> and <https://www.oecd.org/dac/effectiveness/>.

Conference Outcome Document). The principles that were agreed in Busan for effective development cooperation expand upon the earlier 2005 Paris Declaration concept of aid effectiveness.

The four Busan principles that were agreed should guide effective development cooperation are the result of decades of learning and reflection on the experience of aid and development:

- a) Ownership of development priorities by developing countries;
- b) Focus on results that have a lasting impact on eradicating poverty and reducing inequality, on sustainable development, aligned with the priorities of developing countries;
- c) Inclusive development partnerships, recognizing the different and complementary roles of all actors; and
- d) Transparency and accountability to each other.

It was agreed that these principles must be implemented in ways that deepen, extend, and operationalize the democratic ownership of development policies and processes, consistent with agreed international commitments on human rights. [*Busan Outcome Document*, §11 and §12(a)]

The Busan principles provide a robust framework for assessing development stakeholders' development cooperation. There is a substantial literature on the degree to which these principles have in fact been implemented or even taken into account by development actors in their aid practices: What are the major challenges and influences on provider practices, and how can development practice on the part of all stakeholders be strengthened accordingly?⁵⁸ But to date public debates on climate finance seem to have largely focused on expanding the amounts of finance committed and delivered, with little attention to the determinants of its effectiveness for transformative change that protects the interests of vulnerable populations.

In putting forward a framework for assessing climate finance drawing on the principles for effective development cooperation, this paper draws upon the third GPEDC's 2018/19 biannual monitoring process (3MR). The GPEDC monitors the implementation of the four principles against ten indicators for effective development cooperation. It is an exercise that was led by developing country partners in more than 80 countries.⁵⁹

⁵⁸ See Development Cooperation Directorate, "DAC Effectiveness Compendium 2020, Takeaways of the DAC Information Reference Group on Effective Development Cooperation," DCD/DAC (2021) 14, March 2021, accessed July 2021 at [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC\(2021\)14&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC(2021)14&docLanguage=En) and Catharine Blampied, "Where next for development effectiveness?," Overseas Development Institute, November 2016, accessed October 2019 at <https://www.odi.org/sites/odi.org.uk/files/resource-documents/11089.pdf>.

⁵⁹ The results of the GPEDC's 2018 third monitoring round is available at <http://effectivecooperation.org/monitoring-country-progress/making-development-co-operation-more-effective/>. This paper draws on a detailed parallel 2018-2019 analysis by CSOs of progress in development effectiveness practices prepared by the author, Brian Tomlinson, *Civil Society Reflections on Progress in Achieving Development Effectiveness: Inclusion, accountability and transparency*, a 2019 report prepared for the CSP Partnership for Effective Development (CPDE), June 2019, accessible at www.aidwatchcanada.ca or https://docs.wixstatic.com/ugd/9f29ee_44f4e59a973f47fb920f6ce8d66cba08.pdf.

Since significant portions of climate finance are allocated as ODA, the results of this monitoring should apply extensively to climate finance. Without a more explicit analysis on climate finance practices, which will require dedicated research, the analysis below can only be indicative of potential issues for effective climate finance, highlighted in the outcomes of the GPEDC monitoring.

6.1 Country ownership of climate finance priorities

Country ownership is a key principle for *Agenda 2030*, which affirms that each government “will set its own national targets guided by the global level of ambition” and that the “global targets should be incorporated into national planning, policies and strategies” [*Transforming our world*, §55].

The *Paris Agreement* [Article 4, para 2] is consistent with a national planning framework, requiring each Party to prepare, communicate and maintain successive Nationally Determined Contributions (NDCs) that it intends to achieve in reducing greenhouse gases. Developed countries support “for developing country Parties (NDCs) will allow for higher ambition in their actions.” [Article 4, para 5]

Similarly, Article 7 of the *Agreement* calls for international cooperation to support adaptation plans in developing countries that are “country-driven, gender-responsive, participatory and a fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems, and should be based on and guided by the best available science and, as appropriate, traditional knowledge, knowledge of indigenous peoples and local knowledge systems, with a view to integrating adaptation into relevant socioeconomic and environmental policies and actions, where appropriate [emphasis added].” (Article 7, para 5)

Democratic country ownership is an essential basis for inclusive country ownership of development plans and strategies, which must include full participation by all country stakeholders in the development of priorities for NDCs. The GPEDC monitoring framework looks not only at the degree to which providers align their aid to country development plans and strategies, but also at country-level processes for stakeholder inclusion in the determination, and therefore the legitimacy of country strategies, priorities and results frameworks to which providers are aligning. What can be learned from the results in GPEDC’s Third Monitoring Round (3MR) in 2018?

To what degree are developing country development priorities the result of inclusive and structured processes? CSOs consulted in the 3MR process observed that various forms of multi-stakeholder processes exist for dialogue on development priorities. But many of these processes are highly compromised by a lack of institutionalized regularity and can be perfunctory mechanisms to endorse existing government priorities with limited CSO engagement. CSOs continue to rate broad government consultation practices, in terms of timeliness, transparent documentation, openness, and iterative processes, either as very poor or needing significant improvement.

The case of Kenya seems indicative: “Whereas some CSOs are sometimes meaningfully consulted, there is no unified process of consultative input, and thereafter implementation, monitoring and

validation of the results of development efforts are similarly limited.”⁶⁰ Years of development experience suggests that transformative and sustainable development strategies “owned” across sectors, so essential for climate mitigation and adaptation focusing on transformation, but also for poverty reduction, will likely fail to galvanize support in the absence of meaningful inclusive processes of governance.

Of the hundreds of projects examined in partner countries by the 3MR developing country focal points, only 57% of bilateral projects were seen to be aligned with country results frameworks (derived from country plans and strategies), down from 64% in 2016 (Part 2, pages 28-29).⁶¹ The 2019 *Progress Report* notes an improvement in country level planning, which in some cases is more inclusive. But it also concludes, “more systematic and meaningful engagement of diverse stakeholders throughout the development processes is needed.” {Part I, page 36} While almost all Governments in the 3MR (77%) report consulting with CSOs in designing national development strategies, only a small number (17%) confirmed that they allowed CSOs to engage in a participatory process to shape the national development strategy.

How aligned are providers climate finance allocations with developing country NDCs and stated needs for adaptation? There is little direct evidence, although it can be assumed that monitoring conclusions above on country alignment for bilateral aid broadly applies to bilateral climate finance. In a follow up study by the EU, they observed that “climate change is another evolving priority that can be programmed through partner country systems but often is not.”⁶² They note that many of these projects are implemented internationally or regionally, often avoiding partner country systems, which has not been a priority.

Within the climate finance architecture, the Green Climate Fund (GCF), with direct participation of developing countries in GCF governance, and its reliance on proposals from developing country governments and other stakeholders, may validate a new approach that ensures greater country ownership of climate initiatives. The GCF establishes ownership through National Designated Authority or Focal Point, which governments identify as the interface between the country and the Fund.⁶³ A strong reliance on UN-related multilateral channels for climate finance in general can also allow for greater trends in these directions, but with the very notable exceptions of provider-dominated MDBs.

⁶⁰ CSO responses to CPDE Survey, quoted in Tomlinson, 2019, Civil Society Reflections, *op. cit.* p. 25.

⁶¹ All references are to OECD and UNDP, “Making development cooperation more effective: How partner countries are promoting effective partnerships,” Part I and Part II, Global Partnership 2019 Progress Report, Global Partnership for Effective Development Cooperation, June 2019, accessed October 2019 at <http://effectivecooperation.org/monitoring-country-progress/making-development-co-operation-more-effective/>.

⁶² DEVCO, *Effective Development Cooperation, Does the EU deliver? Detailed Analysis of EU Performance*, September 2020, page 63, accessed at https://ec.europa.eu/international-partnerships/system/files/eu-development-effectiveness-monitoring-report-2020_en.pdf

⁶³ See <https://www.greenclimate.fund/document/nomination-national-designated-authority-nda-or-focal-point>.

The OECD DAC has set out systematic reflections and guidelines for the alignment of development cooperation with the *Paris Agreement*.⁶⁴ These reflections and guidelines point to the centrality of ownership for global climate objectives that are delivered at both the national and subnational level that are guided by NDCs and Long-term low greenhouse gas emissions strategies (LTSSs). The Guidelines highlight that climate risks are in many cases country and sector specific, and that connecting climate-centric processes with other development and sectoral plans are essential.⁶⁵

The OECD DAC also point to several challenges in fully aligning development cooperation with climate commitments. A summary of their review of provider policies and practices concludes,

“most providers have not defined what Paris alignment looks like. Climate strategies and mainstreaming approaches have yet to effectively enhance the consistency of development cooperation. Many providers also lack capacity to support transformative climate action in developing countries.”⁶⁶

On the other hand, developing countries face major capacity and institutional challenges in integrating their climate change objectives and commitments into their development planning processes, with inclusion of relevant sub-national and non-state actors. Developing and updating NDCs and National Adaptation Plans (NAPs) is also challenging. For example, at least 120 developing countries have started for formulate NAPs, but only 20 have been submitted to the UNFCCC as of January 2021.⁶⁷

The DAC recognizes the critical role of non state actors in addressing climate vulnerabilities at the country and local levels, but in practice “non-state actors often have limited access to decision-making processes, including those related to domestic finance allocation and access to international climate finance.”⁶⁸ Despite global commitments, only a minority of governments seem to be engaging civil society in determining SDG priorities and their implementation, including Goal 13 on addressing climate change.⁶⁹ These limitations will carry forward to the essential task of building country consensus on societal priorities for climate mitigation and adaptation policies and plans.

⁶⁴ OECD DAC, *The Only Way Forward: Aligning development cooperation and climate action*, November 2019, accessed July 2021 at <https://www.oecd.org/dac/aligning-development-co-operation-and-climate-action-5099ad91-en.htm> and OECD DAC, *Strengthening Climate Resilience: Guidance for governments and development cooperation*, 2021, accessed July 2021 at <https://doi.org/10.1787/4b08b7be-en>.

⁶⁵ OECD DAC, *The Only Way Forward*, op. cit., pages 21 -22.

⁶⁶ OECD, “Aligning Development and Climate Action,” September 2019, page 10, accessed July 2021 at <http://www.oecd.org/dac/environment-development/aligning-development-co-operation-with-the-objectives-of-the-paris-agreement.htm>.

⁶⁷ OECD DAC, *Strengthening Climate Resilience*, op. cit, page 21.

⁶⁸ OECD DAC, *Strengthening Climate Resilience*, op. cit, page 34 ff.

⁶⁹ See evidence in Forus, *Prioritizing the Capacity Building of Civil Society for Effective SDG Implementation: An analysis of the 2020 VNRs to assess government action on SDG 17*, July 2021, accessed July 2021 at https://www.forus-international.org/en/extra/hub/resources-publications?modal_page=pdf-detail&modal_detail_id=77140-prioritizing-the-capacity-building-of-civil-society-for-effective-sdg-implementation&tab=list and Forus, *Progressing National SDG Implementation*, Cooperation Canada and BOND, March 2021, accessed July 2021 at <https://www.forus-international.org/en/extra/hub/resources->

The DAC reflections on climate action also points to the critical dimension of policy coherence in provider alignment with the *Paris Agreement*. The OECD observes that “the volumes of export credits reported for non-renewable energy production plants nearly quadrupled between 2010 and 2016, from \$12 billion to \$46 billion,” an amount that dwarfs provider bilateral support for climate finance during this period.⁷⁰ ODA from several DAC donors (e.g. Japan) continue large investments in concessional finance of fossil fuels. The DAC recently identified \$4 billion in support for electricity generation and fossil fuel infrastructure through ODA in 2019. DAC donors contribute 34% of energy sector financing, of which 13% is for fossil fuel electricity generation. Negotiations are underway at the DAC to set rules for the carbon intensity of supported ODA activities in the energy sector, which may reduce but not eliminate the continued deployment of ODA investments in the use of fossil fuels.⁷¹

6.2 Enabling CSOs for inclusive development partnerships

Given the scale of challenges arising from the climate crisis, sustained citizen engagement is a critical path towards de-carbonization and resilience, with ambitious goals for mitigation and adaptation across the globe. Recent mass mobilizations have taken the form of student strikes and massive citizens demonstrations uniting diverse constituencies in a deepening concern for the future of the planet, its people and biodiversity. Targeted resistance by indigenous nations and peoples alongside community-level environmental activists, organizing to call attention to particularly destructive projects, have had a long history.

Together, they are a vital force to increase political pressure for credible responses to the climate crisis – ones that begin to set genuine targets and take systemic actions to reduce greenhouse gases, while addressing massive needs for adaptation affecting the most vulnerable. They are demanding real accountability from politicians and corporations to these ends.

Open civic space, where people can freely organize and express their concerns and alternatives, is a crucial political foundation for inclusive development outcomes; it is a recognized condition for inclusive partnerships for SDGs through development cooperation. This space is particularly critical for civil society organizations (CSOs) that are seen to be politically challenging by existing power structures, whether in government or extractive corporations in minerals, oil and gas. These CSOs often represent poor communities, marginalized and repressed populations, bring together indigenous peoples’ voices and interests, or work to empower women and girls. Open civic space

[publications?modal_page=pdf-detail&modal_detail_id=75964-progressing-national-sdgs-implementation-report&tab=list](https://www.oecd.org/dac/publications?modal_page=pdf-detail&modal_detail_id=75964-progressing-national-sdgs-implementation-report&tab=list).

⁷⁰ OECD, “Aligning Development and Climate Action,” September 2019, page 10, accessed October 2019 at <http://www.oecd.org/dac/environment-development/aligning-development-co-operation-with-the-objectives-of-the-paris-agreement.htm>.

⁷¹ “Alignment of ODA with International Climate Agreements: The Case of Fossil Fuels,” unpublished powerpoint summary of confidential DAC document for WP-STAT, DCD/DAC/STAT (2021)5, WP STAT CSO Dialogue, 27 April 2021.

is a vital condition for innovative partnerships that can press for just solutions in the climate crisis, often contesting powerful interests rooted in a fossil fuel economy.

In recent years, attacks on civil society across the globe by governments and other powerful interests are growing and have taken many legal and extra-legal forms.⁷² Frontline Defenders, a human rights organization based in Ireland, confirms that 1,268 human rights defenders (HRDs) were killed in the most recent four-year period (2017 to 2020), mainly in developing countries. Of those killed, nearly two-thirds (63%) were “defenders working on land, indigenous peoples’ and environmental rights.” Since 2017, 327 Indigenous Peoples’ rights defenders were among those killed.⁷³

Beyond killing HRDs, hundreds more environmental activists are designated “criminals” or “foreign agents” in both the Global North and South. They and their organizations continually face many forms of harassment and aggressive measures brought by government and corporations seeking to silence them. Women human rights defenders in general, but including those who are active on environmental rights and climate issues, face constant sexual harassment and abuse as well as continuous denigration women’s voices and issues.⁷⁴ Many of these conditions were compounded by the pandemic whereby “murderers took advantage of lockdowns to target defenders whose security strategies would have previously involved frequent changes in location.”⁷⁵

Effective and inclusive partnerships are seen to be a core principle and approach in development cooperation, which aims to move from “whole-of-government” (i.e. exclusively inter-governmental partnerships) to a whole-of-society approach. Increasingly the latter is seen to be essential for effective climate adaptation:

“Underlying factors that were found influential for improving climate resilience and livelihoods included: a focus on community empowerment, capacities, institutions and participation in decision-making; ... engagement with key actors at the subnational level, including community-based organisations, civil society organisations and local governments; ... facilitation of dialogue and cooperation among different stakeholders in the public and private sector ...”⁷⁶

⁷² Among those documented by human rights organizations include: restrictive laws and regulations to harass and marginalize CSOs, limited policy dialogue and access to information, systematic violence against human rights advocates, increasing public intolerance (religious fundamentalisms and political intolerance), Stigmatization narratives (self-serving, foreign agents, threats to social stability, cyber harassment and surveillance, limitations on access to funding and advocacy roles under charity laws, and restrictions at the multilateral level (denial of access, severe limitations on speaking in meetings).

⁷³ Frontline Defenders, *Global Analysis 2020*, February 2021, and various years annual reports, accessed July 2021 at <https://www.frontlinedefenders.org/en/global-analysis>.

⁷⁴ See UN Human Rights, Office of the High Commissioner, “Women Human Rights Defenders,” accessed October 2019 at <https://www.ohchr.org/en/issues/women/wrgs/pages/hrdefenders.aspx>.

⁷⁵ Frontline Defenders, *Global Analysis 2020*, op. cit, page 12.

⁷⁶ Neil Bird, *Evaluation of Danish Support for Climate Adaptation in Developing Countries*, ODI, December 2020, pages 55-56, accessed at <https://um.dk/en/danida->

But conditions for inclusive partnerships that are effective in reach poor and vulnerable populations are not nearly a given for many civil society organizations. For CSOs, working through inclusive partnerships that are equitable and respect different societal interests, require all development actors to create an enabling policy and legal environment for CSOs. Civil society can reach vulnerable people and communities, bring context-specific development knowledge to the table, hold governments to account, defend the rights of vulnerable and marginalized populations, and support transformative change, all of which are crucial in raising government ambition in the climate crisis.

But evidence collected by the GPEDC's 2018/19 country monitoring exercise largely confirms the experience of human rights organizations. The GPEDC's 2019 *Progress Report*, summarizing observations by government, providers and CSOs, concluded, "constraints on civil society have increased, negatively affecting its ability to participate in and contribute to national development processes" (Part I, page 40). GPEDC reports from 82 countries are consistent with "the widely reported view that space for civil society is shrinking" (Part I, page 40).

This evidence suggests that opportunities for policy dialogue with government have increased in many of the GPEDC participating countries, yet most CSOs said that these are episodic and often perfunctory engagement on policies and priorities established by government. Unreasonable legal and regulatory measures affecting CSOs have become widespread across many countries, with restrictions on receiving external funding or regulatory harassment becoming more common practice.⁷⁷ As noted above, environmental activists and organizations have been increasingly targeted. Further research is needed to disaggregate and synthesize impacts of this civic environment for inclusion in adaptation climate initiatives or respect for affected communities' free, prior, and informed consent in new mitigation infrastructure supported by providers through private sector partnerships.

Development cooperation providers can be playing a constructive role to strengthen enabling conditions for civil society actors, including through climate finance partnerships. But the GPEDC's 3MR found major barriers for progress: 1) providers were not raising issues of CSO enabling conditions systematically in provider/government policy dialogue and projects; 2) providers consulted CSOs at the country level episodically, if at all; and 3) good practice in provider financial support for CSOs was weak, with very limited direct support to local CSOs in developing countries, and a move away from flexible programmatic CSO funding by some providers.⁷⁸

en/results/eval/eval_reports/publicationdisplaypage/?publicationID=A9CC034B-9F7B-4F61-B733-6F8370EC442B.

⁷⁷ See a detailed summary of the evidence in Annex Three in Tomlinson, 2019, *Civil Society Reflections*, *op. cit.*

⁷⁸ Tomlinson, 2019, *Civil Society Reflections*, *op. cit.* pp. 40-41. In July 2021, the members of the DAC adopted a strong Recommendation on Enabling Civil Society, which will improve their accountability to measures that reverse these donor practices in their relationships with civil society. See <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-5021#backgroundInformation> and

More specific research is needed to understand better whether climate finance partnerships are strengthening capacities and roles for local actors, including civil society, to implement country NDC priorities, and hold their governments to account at all levels.⁷⁹ The evidence suggests worrying trends, but also a lack of recognition of these challenges for civil society among climate actors and institutions.

6.3 Development partnerships and the private sector

Many bilateral and multilateral mitigation projects are carried out through public sector loans and guarantees, with private sector finance in blended finance managed by Development Finance Institutions (DFIs). Providers argue that the use of public resources to catalyze this private sector finance is essential to make up the massive shortfall in capital (hundreds of billions of dollars annually) required to finance the transition to a non-carbon economy throughout the Global South. Recent research highlights issues in scale and purpose, but also transparency and accountability for blended finance, which are basic principles for effective development cooperation.

The OECD has attempted to measure private sector finance mobilized by the public sector through blended finance.⁸⁰ According to this research, \$258.1 billion was mobilized from the private sector for sustainable development purposes, in the eight years between 2012 and 2019. In 2019, \$45.0 billion in mobilized finance was reported by various DFIs to the OECD DAC. Three quarters of mobilized finance was reported by multilateral providers with the World Bank's International Finance Corporation (IFC) being the largest at \$12.1 billion on average between 2018 and 2019. The largest bilateral providers for mobilized private sector finance were the United States at \$5.4 billion, France at \$2.8 billion and the United Kingdom at \$1.2 billion. Almost all of this finance for 2018/2019 targeted middle-income countries – lower middle-income 39% and upper middle-income at 49%, leaving only 11% for least developed and low-income countries.⁸¹

<https://crosol.hr/en/dac-recommendation-on-enabling-civil-society-in-development-co-operation-and-humanitarian-assistance/>.

⁷⁹ The International Institute for Environment and Development (IIED) is an exception with its substantial work on local responses to poverty, climate, and nature. See various reports and blogs at <https://www.iied.org/climate-change>. See also IIED, "Principles for Locally-led Adaptation," January 2021, accessed at <https://www.iied.org/principles-for-locally-led-adaptation>.

⁸⁰ OECD, Community of Practice on Private Finance for Sustainable Development (COP-PF4SD), Meeting on Blended Finance Data, Powerpoint Presentation of Data, July 20, 2021, unpublished. See also an earlier study, OECD, "Private Finance for Climate Action: Estimating the effects of public interventions," Research collaboration tracking private climate finance, November 2017, accessed July 2021 at <http://www.oecd.org/env/researchcollaborative/WEB%20private-finance-for-climate-action-policy-perspectives.pdf>.

⁸¹ Data reported in OECD DAC, Community of Practice on Private Finance for Sustainable Development, 2021, *op. cit.* various slides.

A very significant share of this mobilized finance focused on the climate crisis – 33% or approximately \$15 billion in 2018/2019.⁸² There was no breakdown between adaptation and mitigation in this most recent data. But an earlier OECD study on mobilized finance for the period 2012 to 2015 reported that 87% of this finance was directed to mitigation and 13% to adaptation.⁸³

There are several critical issues in the expanding role of DFIs in development cooperation in general, which also apply to blended finance for climate mitigation and adaptation. Among these challenges are

- a) The question of whether private finance is truly additional because of the public contribution, or a public subsidy of an existing private sector initiative, which would take place without the public input;
- b) The need for much improved transparency at the transaction level;
- c) The lack of impact analysis of development outcomes
- d) An exacerbation of a debt crisis through increased loans in development cooperation (as noted above); and
- e) Demonstrated consistency with development effectiveness principles.

In responding to some of these challenges as they relate to development effectiveness and impact, in October 2017, members of the OECD DAC have agreed to a broad set of principles to guide the practices of DFIs, *Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals*.⁸⁴ While the DAC has developed detailed guidance for these principles, this guidance ignores key aspects of local democratic ownership, including the human rights principle of free, informed and prior consent by those most affected by development investments, particularly in energy and infrastructure, where blended finance is most common.

Creating a framework for assessing actual contributions of blended finance to development and the SDGs, including climate adaptation and mitigation, will be essential to their credibility. In this regard, at its July 2019 Senior Level Meeting, the GPEDC endorsed the *Kampala Principles on Effective Private Sector Engagement in Development Cooperation*.⁸⁵ These principles were developed through an in-depth multistakeholder process, which included the full participation of CSOs. Bringing in key elements for effective development cooperation, the *Kampala Principles* can

⁸² *Ibid.*

⁸³ OECD, Private Finance for Climate Action, 2017, op. cit.

⁸⁴ See the OECD DAC web landing page on blended finance at <https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/>. The OECD DAC have expanded on these principles with detailed guidelines for the implementation of the five principles – 1) Anchoring blended finance use to a development rationale, 2) Designing blended finance to increase mobilization of commercial finance, 3) Tailoring blended finance to local contexts, 4) Focusing on effective partnering for blended finance, 5) Monitoring blended finance for transparency and results.

⁸⁵ Accessed August 2019 at <https://effectivecooperation.org/wp-content/uploads/2019/06/Kampala-Principles-final.pdf>.

serve as a framework for monitoring private sector engagement, including blended finance, through the GPEDC biannual country-led monitoring process.

The *Kampala Principles* acknowledge “a number of challenges with private sector engagement [PSE] important for development effectiveness ... [including] lack of safeguards on the use of public resources; insufficient attention to concrete results and outcomes (particularly for the benefit of those furthest behind); and limited transparency, accountability and evaluation of PSE projects [page 4].” Five principles are fully elaborated and provide normative guidance for assessing private sector engagement in effective development cooperation.

- a) Inclusive country ownership – Define provider/government national private sector engagement (PSE) strategies through inclusive processes, which should be aligned with national priorities and strategies;
- b) Results and targeted impact – Focus on maximizing sustainable development results while engaging in partnerships according to agreed international standards, including the International Labour Organisation labour standards, the United Nations Principles on Business and Human Rights, and the OECD guidelines for multinational enterprises.
- c) Inclusive partnerships – Support institutional inclusive dialogue on PSE and promote bottom-up innovative partnerships “in the spirit of leaving no one behind” [page 5].
- d) Transparency and accountability – Measure and disseminate results, remaining “accountable to the partners involved, beneficiary communities and citizens at large.” [page 5]
- e) Leave no one behind – Targeting those furthest behind means recognizing, sharing and mitigating risks for all partners. Ensure that a private sector solution is the most appropriate way to reach those furthest behind. Carry out a joint assessment of the potential risks for the beneficiaries of the partnership as part of due diligence.

Implementation of the *Kampala Principles* by providers, DFIs and partner governments would bring a significant development effectiveness lens to blended finance projects, including those relating to mitigation and adaptation. But the overall weak track record of providers over the past decade in carrying through reforms in their development practice based regular monitoring of implementation of the four GPEDC development effectiveness principles, unfortunately, does not give strong assurance that they will be seriously taken on board. Domestic political pressures in provider countries to tie blended finance to their domestic private sector partners, and the expanding role of the MDBs to mobilize the corporate private sector in filling financing gaps, may accentuate a marginalization of these important *Principles*.

6.4 Transparency and accountability in climate finance

Accountability to Nationally Determined Commitments (NDCs) at the level of the *Paris Agreement* is both voluntary and weak. Mechanisms for reviewing compliance are non-binding and largely

consultative.⁸⁶ The mechanism established in Article 15 of the *Paris Agreement* is intended to be expert-based, non-adversarial and non-punitive, “taking account the national capabilities of Parties.” The word “accountability” does not appear in the text of the *Paris Agreement*. On the other hand, the December 2018 negotiated Paris Rulebook for implementing the *Agreement* added substantial improvements in transparency (see section 3 above), while largely avoiding issues of accountability. Developed countries are now obliged to send more rigorous biennial reports, but there are no political forums in the context of the UNFCCC for discussing individual reports.

The UNFCCC Standing Committee on Finance prepares an overarching and synthesizing biennial report.⁸⁷ These reports are based on national reports submitted by developed country Parties and bring attention to overall trends in patterns in finance (subject to the limitations of national reports and inconsistencies between them).

Given the overall weaknesses of the multilateral system for holding governments to account, including the UN and its bodies, the path to stronger accountability may lie at the country level.⁸⁸ The GPEDC stresses the critical importance of partner-country led mutual accountability mechanisms in its framework for effective development cooperation.

Country level accountability mechanisms are an opportunity to hold providers (and partner country governments) to account for their financing commitments. They can also build incentives for behaviour change for all development actors, which is crucial to effective measures that respect country ownership in development cooperation. But meaningful country accountability requires country mechanisms that go beyond provider/government dialogues, with processes that are both transparent and inclusive of all development actors such as civil society, parliamentarians, and the private sector.

The GPEDC’s Third Monitoring Round (3MR) in 2018/19 was an opportunity to review the realities of mutual accountability in development cooperation at the country level. To what degree are there regular, institutionalized and inclusive mutual accountability dialogue on development cooperation priorities and finance? Are there country frameworks in place to guide these dialogues? Are there specific targets for the different development partners? To what extent are the results of accountability assessments transparent and accessible in a timely way to the public? These were the questions country level facilitators for the monitoring exercise asked in relation to current practices in their country.

The *Progress Report* found that quality mutual accountability mechanisms were seen by providers and government to be strong and improving in the poorest countries that rely heavily on ODA. But

⁸⁶ See the discussion of accountability and the Paris Agreement in S. Karlsson-Vinkhuyzen, M. Groff, P. Tamás, A. Dahl, M. Harder and G. Hassall, “Entry into force and then? The Paris agreement and state accountability,” *Climate Policy*, Vol. 18, No 5, 2018, accessed July 2021 at https://sciencepolicy.colorado.edu/students/envs-geog_3022/karlsson-vinkhuyzen_2018.pdf.

⁸⁷ See <https://unfccc.int/SCF>.

⁸⁸ Karlsson-Vinkhuyzen et al., *op. cit.*

among the full set of 86 countries reviewed (many of which are middle income countries), fewer than half were found to have quality mechanisms. Most partner countries (86%) reported that they had targets for effective development cooperation with traditional bilateral and multilateral partners. But do various country stakeholders share them? How inclusive are these mechanisms?

Parallel data from the UN Development Cooperation Forum reported that a third of countries surveyed reported that CSOs were not involved and another 20% reported minimal involvement. CSOs from 42 of the 86 countries involved in the GPEDC 3MR concluded that mutual accountability mechanisms for most partner countries require significant attention to improving institutionalization, deeper and meaningful inclusion across a diversity of stakeholders, greater predictability, and full transparency in their documentation, deliberations, and decisions for follow-up.⁸⁹

Where mutual accountability mechanisms exist and function with reasonable effectiveness, they present an opportunity for dedicated discussion of international climate finance in support of NDCs and adaptation needs. Climate finance is substantially integrated into concessional ODA flows, which should be included in aid targets and assessments at the country level. Unfortunately, climate finance allocations are biased towards middle-income countries, where the GPEDC evidence suggests that few mutual accountability mechanisms exist at the country level. This gap in accountability is more complicated in these countries with a diversity and multiplicity of international financial relationships for climate mitigation and adaptation. But as this financing expands, partner governments and country stakeholders may benefit from strengthening dialogue at the country (and local) level with all development partners involved.

7. Summary Conclusions

This paper began by asking how effectively the international community is addressing the profound implications of climate apartheid in its current commitments and allocations of international climate finance. It concludes with several summary observations drawn from the analysis:

- a) **Little provider accountability for the 2020 \$100 billion target** Ten years on from COP21 in Copenhagen, it is still very difficult to assess even the basics of international climate finance against the 2020 \$100 billion target, which is the foundation for trust in moving forward the climate agenda with developing country parties in the UNFCCC. According to OECD DAC data, providers are about \$20 billion short of the target; for CSOs the gap is much larger. Clear provider accountability for this finance still lacks both a common institutional space for a critical examination of reported finance as well as an agreed framework for assessing performance. Greater transparency in developed country reporting agreed at

⁸⁹ See OECD and UNDP, 2019, *Progress Report, op. cit.*, Part I, 57ff; Tomlinson, 2019, Civil Society Reflections, *op. cit.* pp. 54-62; and ECOSOC Development Cooperation Forum, 2018. "National mutual accountability and transparency in development cooperation: Study on the findings of the Fifty DCF Survey," May 2018, accessed July 2021 at https://www.un.org/ecosoc/sites/www.un.org.ecosoc/files/files/en/dcf/UNDESA_2018%20DCF%20Study%20on%20mutual%20accountability.pdf.

COP24 in December 2018 is undermined by a continued lack of agreement on what constitutes legitimate climate finance and on how different modalities of climate finance should be counted.

- b) The reality of climate finance** What can be discerned about provider performance since the *Paris Agreement* is under-whelming. Bilateral climate finance in 2019 seem to be closer to \$14 billion than the OECD-reported \$33 billion; \$28 billion in multilateral climate finance has been accelerating for mainly mitigation initiatives, particularly through the MDBs, but a reality check on MDB reporting is largely non-concessional loans and is hampered by little accessible transparency at the project level; and mobilized private sector finance (said to approximate \$15 billion) is largely self-reported by DFIs and is even less transparent. Climate finance remains highly concentrated among six major bilateral providers (France, Germany, Japan, Norway, the United Kingdom, and the United States), with the EU also a significant multilateral provider.
- c) Priority to the rights and interests of the most vulnerable?** Climate justice requires attention and priority to the rights and interests of the most vulnerable people and countries. These six providers, along with the European Union and the MDBs, have shaped climate finance allocations in ways that largely fail to protect and promote their interests.
- **About a third of bilateral climate finance (38%) and less than a quarter (24%) of MDB climate finance is being allocated to adaptation for countries and people most exposed to the impacts of the climate crisis.** Similarly, the share of adaptation finance to Least Developed Countries and Small Island Developing States seem to be declining (from 31% in 2014 to 2016 average to 29% in the 2017 to 2019 average) and are affected by low levels of adaptation finance overall.
 - **With Germany, France and Japan being among the largest providers, loans to developing countries are a significant modality for delivering climate finance (35% for all bilateral providers).** Including MDBs, approximately 80% of climate finance is delivered as loans, of which 40% was non-concessional. Countries and people, who have contributed the least to the crisis, are being asked to pay back developed country lenders for developing country efforts to mitigate further greenhouse gases and adapt to its major impacts on their livelihoods.
 - **Women and girls, particularly those living in vulnerable countries and conditions, receive no priority in climate finance** – almost half (46%) of bilateral climate finance project disbursements in 2019 had no gender equality objectives.
 - **Climate finance is displacing ODA for other purposes, with more than 10% of ODA allocations for several strong climate finance providers** – Austria, France, Germany, Sweden, and Norway. Overall, in 2019, 9% of DAC bilateral ODA commitments were devoted to principal purpose climate finance initiatives. Increased climate finance is urgently required, but mitigation finance in particular should not be budgeted at the expense of ODA intended for poverty eradication. Efforts to reduce poverty and inequalities, increase access to social services and support good governance are essential to success in tackling the climate crisis.

- d) Is climate finance effective development cooperation?** Further research is needed to more fully elaborate the implications of good practice approaches in effective development cooperation for implementing climate finance through aid relationships. Democratic country ownership, enabling environments for inclusive partnerships, accountable private sector initiatives, and robust transparency and accountability at the country level are seen to be essential pillars for effective development cooperation, including climate finance.
- e) Major challenges in effectiveness of climate finance** Preliminary evidence suggests that major challenges may limit the effective delivery of climate aid and its sustainable impact at the country level.
- **Country ownership** The *Paris Agreement* calls for country-driven, participatory and fully transparent approaches at the country level. The UNFCCC encourages countries to develop Nationally Determined Contributions (NDCs) and adaptation plans; some providers have facilitated NDCs at the request of developing countries; and the Green Climate Fund responds to country proposals and includes developing countries in its core governance. Yet evidence from the GPEDC's Third Monitoring Round (3MR) in 85 countries said that only just over half of major bilateral projects, which would include major climate finance projects, were aligned with country results frameworks in 2018. Non-governmental stakeholders reported restricted and ineffective opportunities for engagement with government for the development and assessment of country development strategies.
 - **Holding governments accountable** Political space for sustained citizen involvement in public life is an essential foundation for social inclusion in effective country climate action strategies. But the ability of citizens to hold governments to account and press for planet and people-friendly policies and initiatives is under serious attack in increasing numbers of countries. Governments harass and undermine the credibility of environmental and human rights organizations through unreasonable prosecution under CSO laws and regulations, with 60% of the world's population estimated to be living in countries where civic space is closed, repressed or obstructed. Between 2017 and 2020, at least 1,268 human rights defenders were murdered, with almost two thirds (63%) from indigenous, land rights and environmental rights backgrounds. Global Witness have calculated that four environmental defenders have been killed on average each week since the signing of the Paris Agreement in 2015.⁹⁰
 - **Increasing blended climate finance** The involvement of Development Finance Institutions in climate finance through blended initiatives, combining government public resources with private sector finance, has escalated in recent years. Blended finance is an important modality for climate mitigation projects. Yet there has been

⁹⁰ Claire Marshall, "Record number of environmental activists murdered," BBC, September 13, 2021, accessed at <https://www.bbc.com/news/science-environment-58508001>.

little attention to whether public finance in these initiatives is little more than a subsidy to the private sector, whether projects can demonstrate consistency with development effectiveness principles, and whether increased loans in blended finance are exacerbating a growing debt sustainability problem in poor and middle-income countries. The development of robust principles and guidance for providers' blended finance at the OECD DAC and through the GPEDC to assure the development effectiveness of these initiatives has yet to be tested in practice.

- **Accountability at the country level** Accountability in the climate finance architecture at the global level is very weak. Alternatively, inclusive country level accountability mechanisms for development cooperation may be an opportunity for various stakeholders to hold climate finance providers to account. They can be a key modality to incentivize behaviour change among development actors to be more consistent with development effectiveness principles. According to the results of the 3MR, these accountability mechanisms have been improving in some countries that are highly dependent on aid, but unfortunately were weak in other middle-income countries with more complex financing flows (which are also the largest recipients of climate finance). In more than half of the country mechanisms examined, inclusivity is absent, with CSOs reporting no involvement or just minimal token participation.

As the global crisis accelerates with the COVID pandemic largely unfolding largely unchecked in most developing countries, urgent measures to address the climate emergency is an essential framework for recovery and a sustainable future. In light of gross inequalities in securing and allocating vaccines, developing countries' trust in international climate negotiations is deeply compromised. The latter will depend upon developed countries demonstrating that they have met their international commitments to the \$100 billion annual flows in 2020.

Building trust will also require major new commitments on the part of providers to set ambitious climate targets for themselves, to scale up their international climate finance based on real need, including for loss and damages, and to strengthen its overall effectiveness for developing country partners. Providers must pay much greater attention to the needs, interests and priorities of the many vulnerable countries and populations that will bear the major impacts of climate change so far largely unchecked. Lesson from 15 years of discourse and country attention to conditions for effective development cooperation can provide a useful framework for sharpening this finance as a tool for inclusive and transformative change for millions of affected people.