Climbing an oily bamboo: accessibility and additionality issues of global climate finance for Bangladesh

Mohammed Abdul Baten[1*] , Rashed Al Mahmud Titumir [2] & Suban Kumar Chowdhury[3]

Session 19- Political Economy and Climate Finance

10 January 2016

1-Senior Lecturer, SESM Independent University Bangladesh

2-Professor, Department of Development Studies, Dhaka University and Chairperson, Unnayan Onneshan

3- Lecturer, Department of International Relations, Rajshahi University

Climate Finance :The turtle race

- Financial mechanism under UNFCCC seems to be an issue where developed and developing countries' views differ considerably
- Financial mechanism was regarded as separate pillar in Bali Action Plan (COP 13), since then global climate finance has experienced many mechanisms and terminologies.
- Criticized for its insufficient scale and institutional framework.
- It is expected to have a balance share both for mitigation and adaptation.
- **These funds should be beyond Official Development Assistance (ODA).**

SDG 13: "Take urgent action to combat climate change and its impacts"

The targets under this Goal are:

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

13.2 Integrate climate change measures into national policies, strategies and planning

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly $100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible

13.b Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries, including focusing on women, youth and local and marginalized communities

Global Financial Mechanisms

http://climatefundsupdate.org/

Fund	Type	Administered by	Area of focus	Date operational
Adaptation Fund	Multi	Adaptation Fund Board	Adaptation	2009
Adaptation for Smallholder Agriculture Program	Multi	The International Fund for Agricultural Development (IFAD)	Adaptation	2012
Biocarbon Fund	Multi	The World Bank	Adaptation, Mitigation - general, Mitigation - REDD	2004
Clean Technology Fund	Multi	The World Bank	Mitigation - general	2008
Global Climate Change Alliance	Multi	The European Commission	Adaptation, Mitigation - general, Mitigation - REDD	2008
Global Energy Efficiency and Renewable Energy Fund	Multi	The European Commission	Mitigation - general	2008
Green Climate Fund	Multi	GCF to be confirmed	Adaptation, Mitigation - general, Mitigation - REDD	2015
Least Developed Countries Fund	Multi	The Global Environment Facility (GEF)	Adaptation	2002
Pilot Program for Climate Resilience	Multi	The World Bank	Adaptation	2008
Scaling-Up Renewable Energy Program for Low Income Countries	Multi	The World Bank	Mitigation - general	2009
Special Climate Change Fund	Multi	The Global Environment Facility (GEF)	Adaptation	2002
Strategic Climate Fund	Multi	The World Bank	Adaptation, Mitigation - general, Mitigation - REDD	2008
UN-REDD Programme	Multi	UNDP	Mitigation - REDD	2008

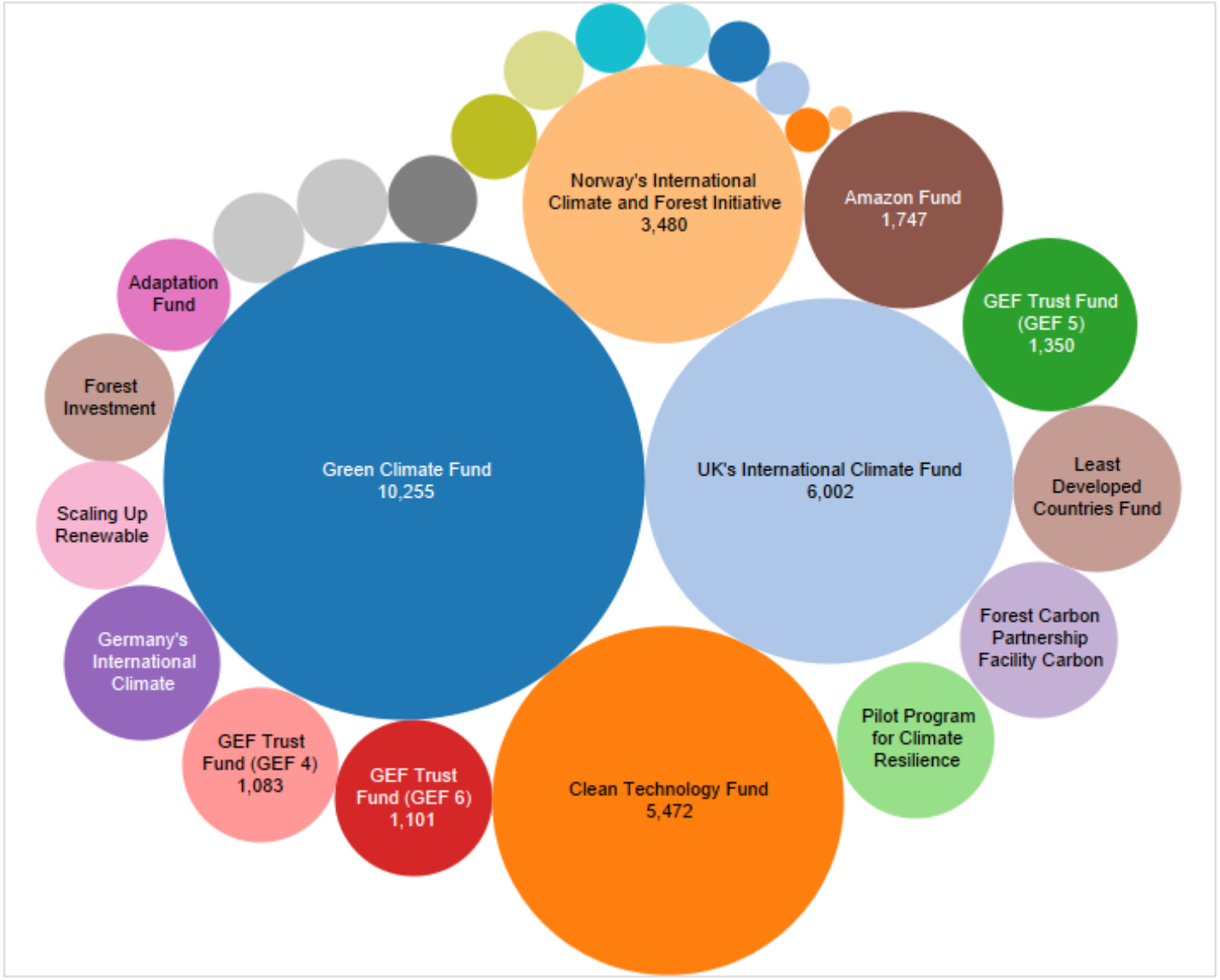
Global Financial Mechanisms

- **Adaptation Fund that** established in 2001, focuses specifically on financing projects dealing with adaptation;

- The **Standing Committee on Finance** (SCF) is an expert panel which provide recommednations for funding climate related projects;

- The **Green Climate Fund** (GCF) which was established at the Cancun COP in 2010, aiming at delvering fund to both climate mitigation and adaptation initiatives, set target to increase from the current $10 billion to $100 billion annual budget [**multilateral entity which aims to deliver equal spending to both climate mitigation and adaptation initiatives. The GCF is accountable to the UN's Framework Convention on Climate Change (UNFCCC)]**

Fund sizes (based on pledges made by countries)

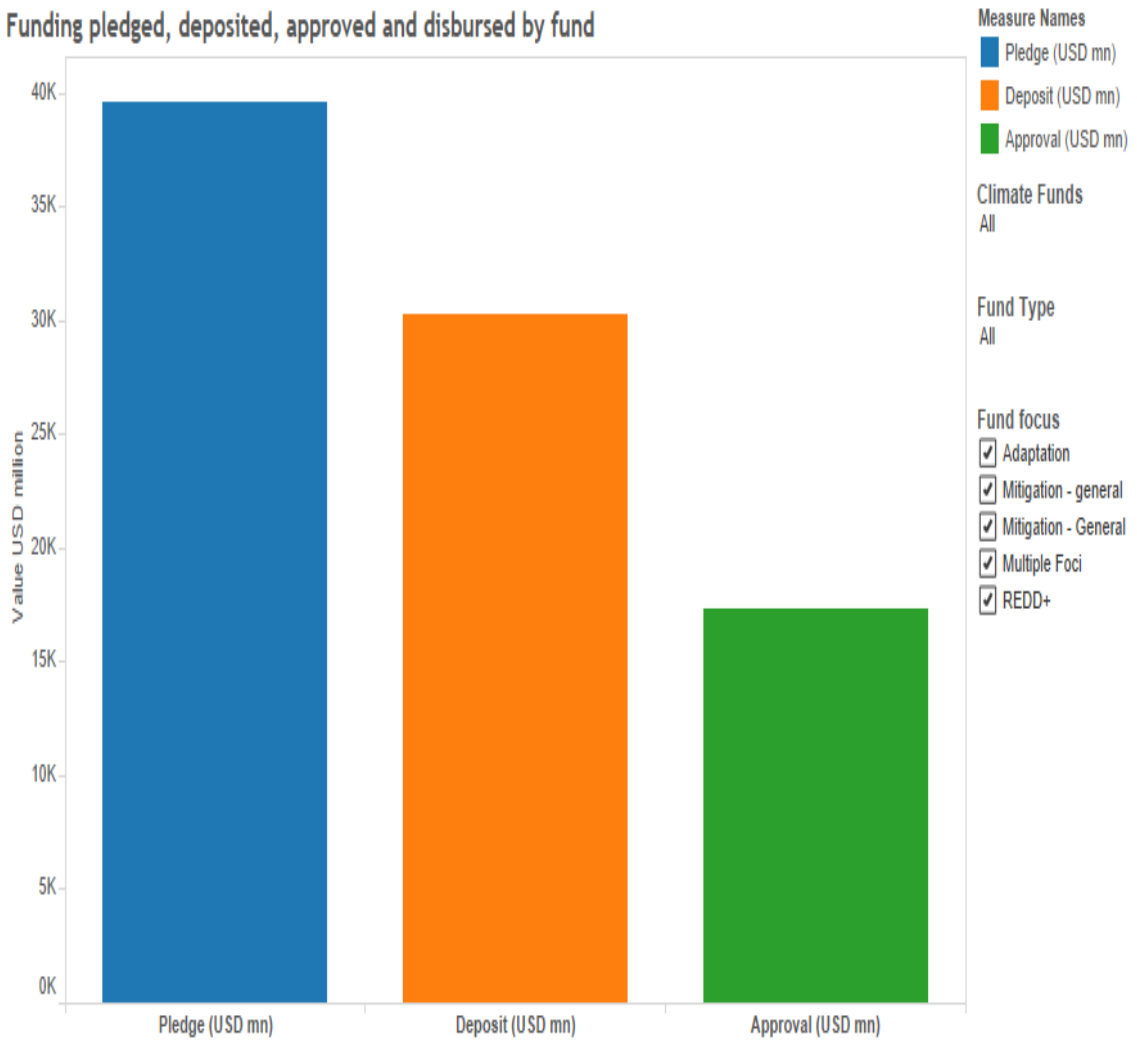


Fund focus
- [x] Adaptation
- [x] Mitigation - general
- [x] Mitigation - General
- [x] Multiple Foci
- [x] REDD+

Fund
All

Fund Type
- [x] Bilateral
- [x] Multi Donor National
- [x] Multi Donor Regional
- [x] Multilateral

http://climatefundsupdate.org/



Total pledged- 39,628 million USD

Total Deposited- 30,277 million USD

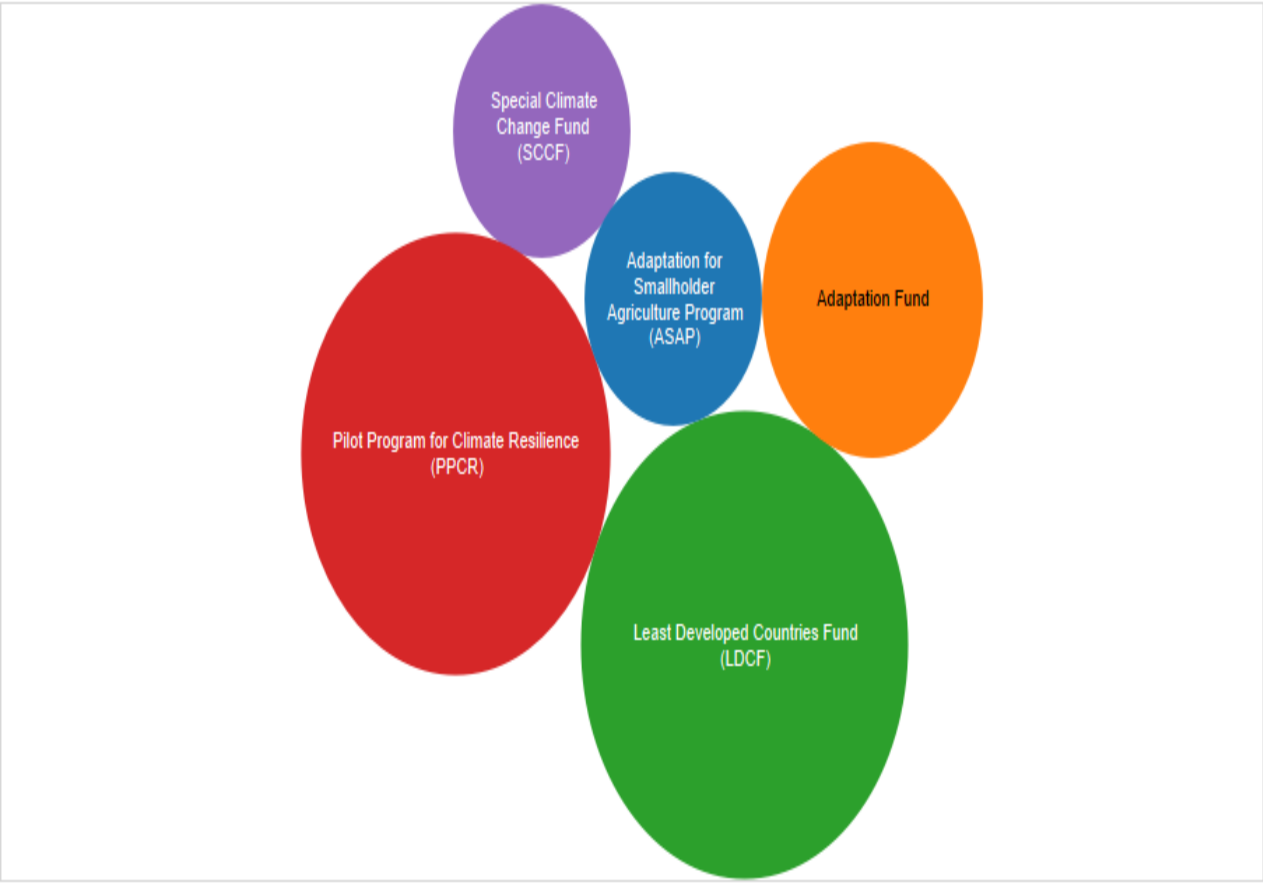
Approved -17,353 million USD

http://climatefundsupdate.org/

Adaptation

- The **Adaptation Fund** focuses specifically on financing projects dealing with adaptation – as opposed to mitigation. Established in 2001, it has a mandate towards funding programmes which concentrate on resilience and adaptation to changes.
- So far, the fund has committed over **$350 million across 61** countries towards climate resilience and adaptation initiatives
- **Bangladesh gets approval of receiving 228.6 million USD**
- Meeting the costs of adaptation to climate change in developing countries is a major challenge for the international community; the UNFCCC projects costs in the range of **$28 – 67 billion per year for such countries by 2030.**
- **The distribution of adaptation finance to highly vulnerable countries and to the most vulnerable people and populations groups within recipient countries remains uneven**, and the scale of finance is not commensurate with estimated needs.

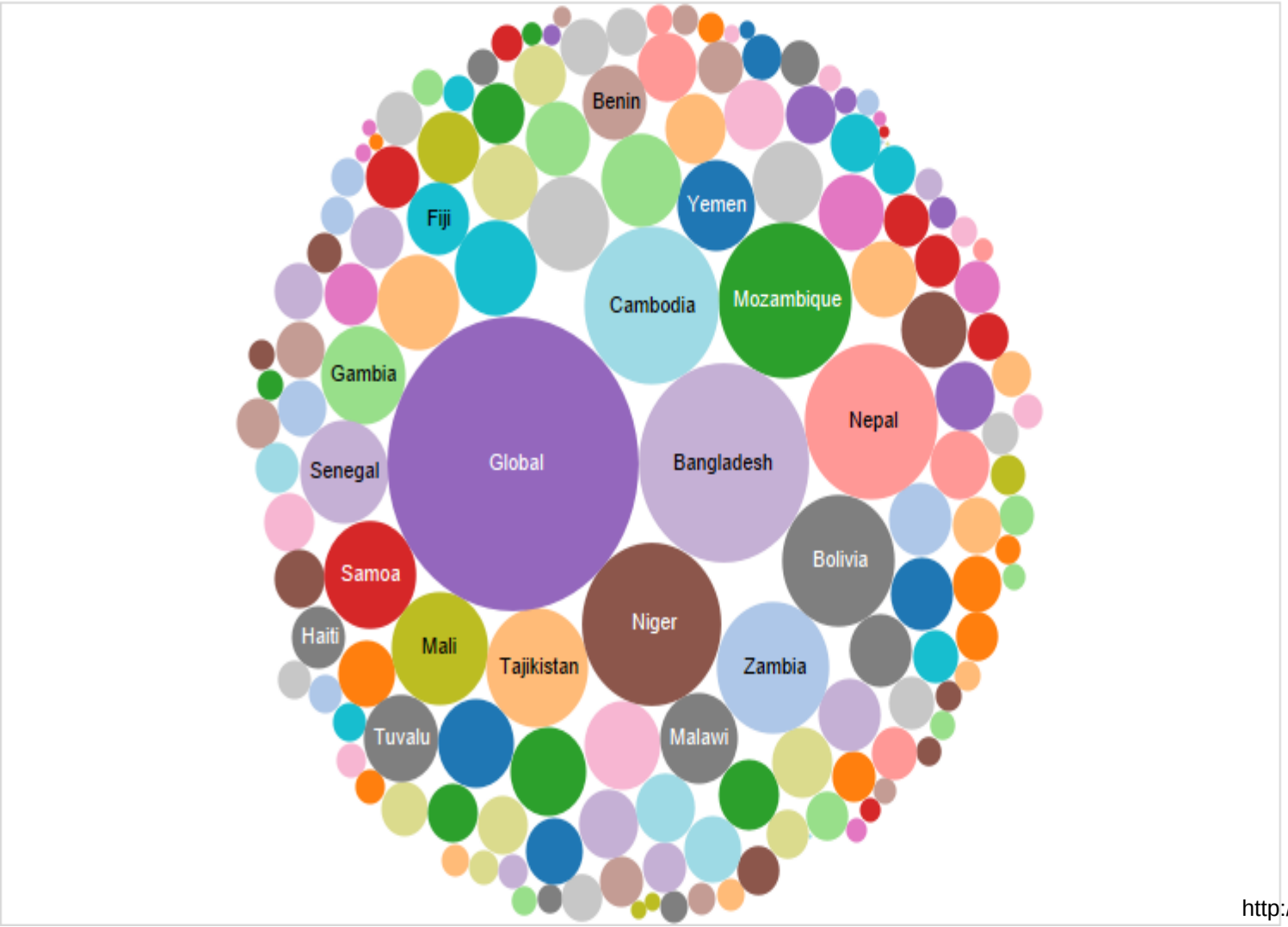
Size of adaptation funds



- LDCF- Pledged - 1250.2 million USD
- PPCR-1117 million USD
- ASAP-366.5 million USD
- AF-569.2 million USD
- SCCF-367.3 million USD

http://climatefundsupdate.org/

Adaptation finance by country



Income Classification
All

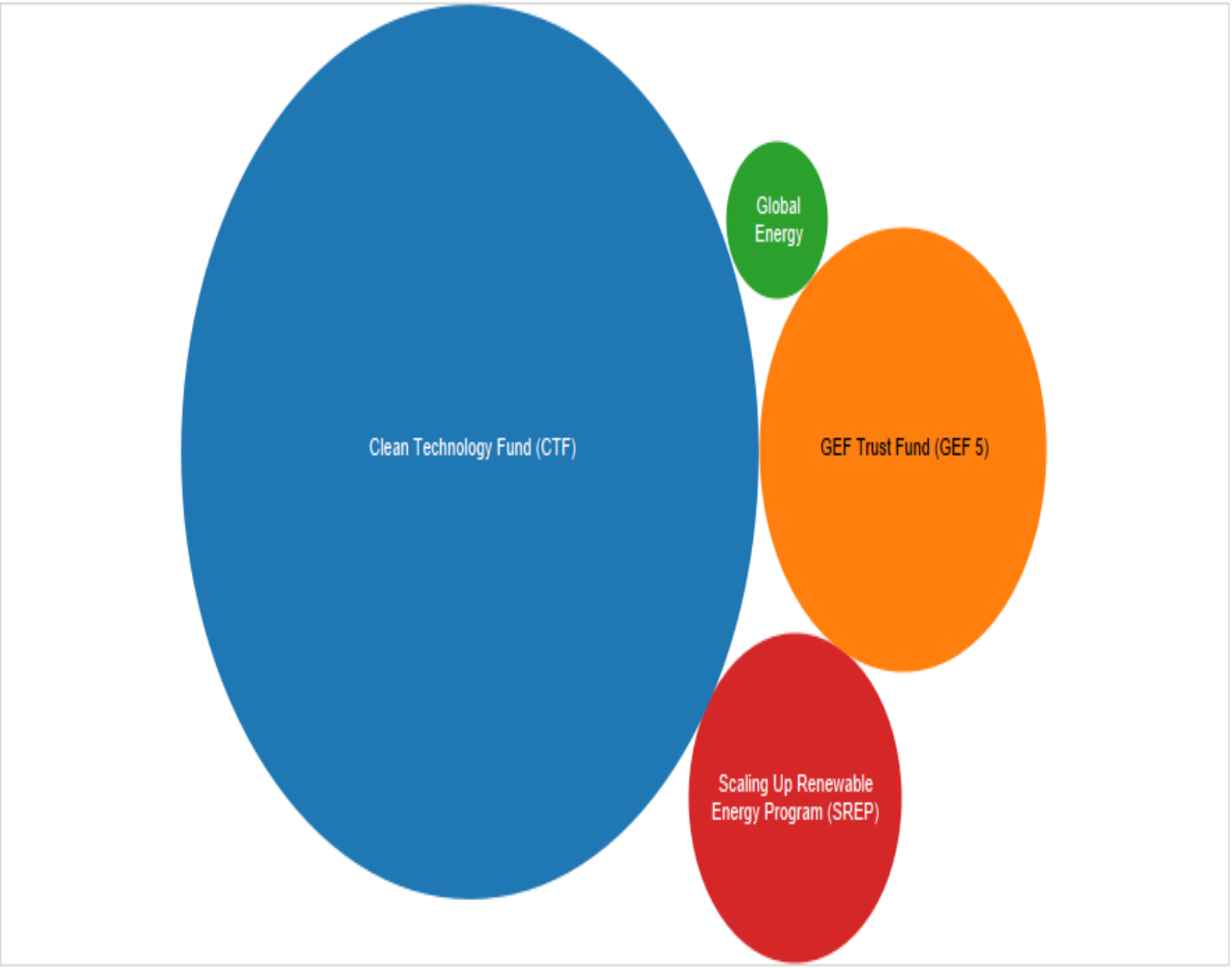
Region
All

http://climatefundsupdate.org/

Mitigation

- **The majority of climate finance to date has been directed to mitigation activities, particularly in fast growing emerging economies** such as India, China, South Africa, Turkey and Mexico, where emissions are growing rapidly.
- **There has been a lack of financing for developing countries**, which could use mitigation finance to pursue low-carbon development pathways and address energy poverty.
- India gets approval of 1029 million USD; even the Philippines gets 249 million USD

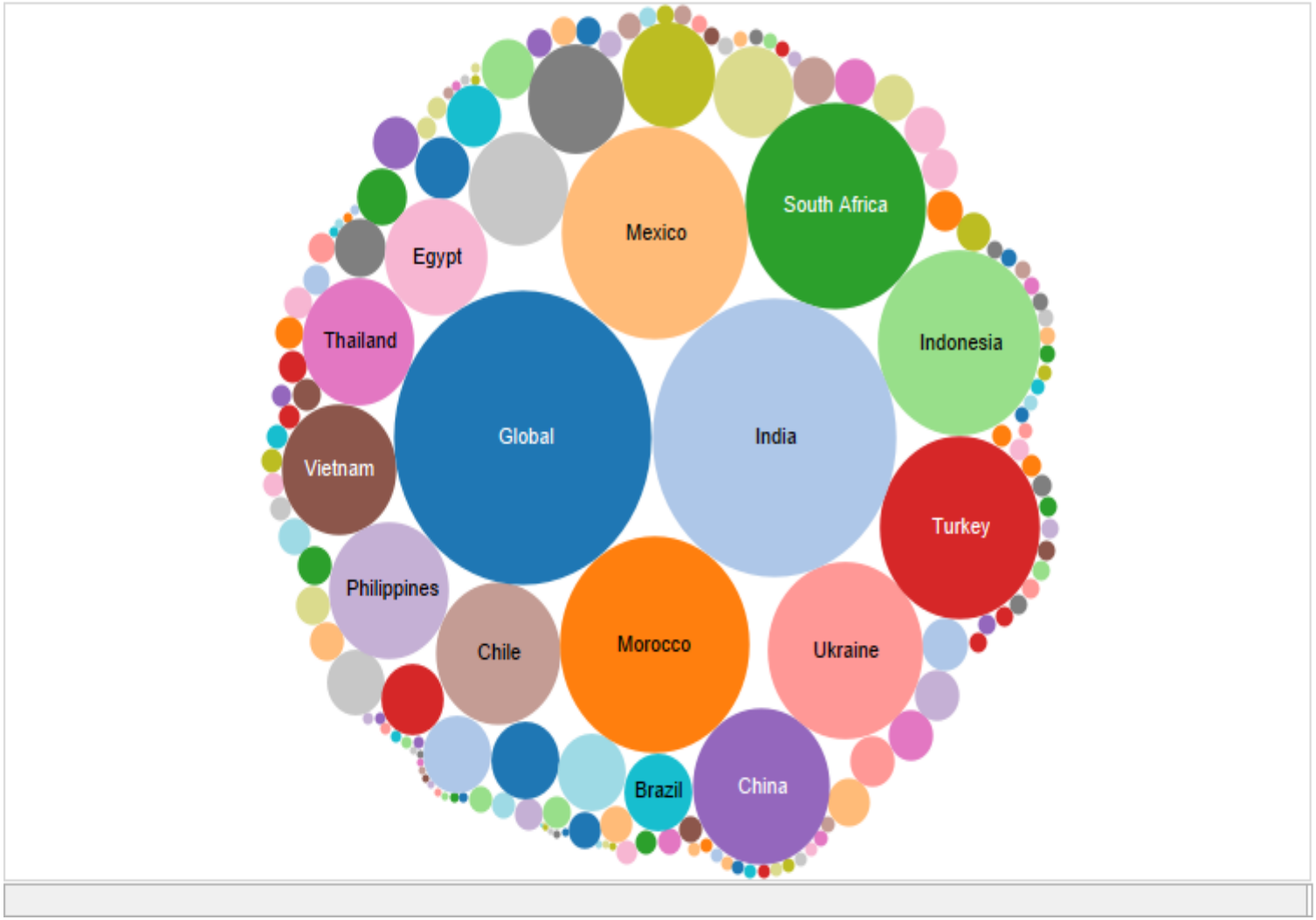
Funds focusing on mitigation



- CTF-5472 million USD
- GEF 5-1350 million USD
- SREP-745 million USD
- GE-170 million USD

http://climatefundsupdate.org/

Mitigation finance by country



Income Classification
- [x] High-income
- [x] Low-income
- [x] Lower-middle income
- [x] Multi Country
- [x] Multi Country (High-inco..
- [x] Multi Country (High-inco..
- [x] Multi Country (Lower-mid..
- [x] Multi Country (Lower-mid..
- [x] Multi Country (Upper-mid..
- [x] Multi Country (Upper-mid..
- [x] Upper-middle income

Region
- [x] East Asia and Pacific
- [x] Europe and Central Asia
- [x] Global
- [x] Latin America and the C..
- [x] Middle East and North Af..
- [x] Multi Region
- [x] South Asia
- [x] Sub-Saharan Africa

http://climatefundsupdate.org/

Recent Updates

- The GCF's online Accreditation Self-Assessment Tool outlines the minimum requirements for an institution to be accredited and receiv funding through the GCF
- Australia and the UK, presented a climate finance 'Roadmap to US$100 Billion,' to meeting their collective annual mobilization goal by 2020.
- The GCF Board approved funding proposals for ten projects, totaling US$745 million, and the GEF Council approved its Work Program, comprising 16 project concepts and three programmatic frameworks, with total resources amounting to US$302 million.
- The EU Economic and Financial Committee confirmed that, in 2015, the EU, the European Investment Bank (EIB) and the EU Member States provided €17.6 billion to developing countries in climate finance.
- Luxembourg also announced the launch of the 'Luxembourg Green Exchange' under its Stock Exchange, as "the world's first exchange that will trade nothing but green securities."
- **Bangladesh received a pledge (loan) from the World Bank of US$2 billion in new funding aimed at helping reducing the country's vulnerability to climate change.**
- The Inter-American Development Bank (IDB) launched 'NDC Invest,' which it describes as a "one-stop shop to help countries access resources needed to translate national climate commitments into investment plans and bankable projects."

National Financial Mechanisms

- **"Bangladesh is spending about a billion (taka) a year from its own exchequer,"- [75% of the Government's total spending on climate change]**

  - **Bangladesh Climate Change Trust Fund (BCCTF)**
  - **the Bangladesh Climate Resilience Fund (BCRF)**
  - **the Palli Karma Shahayak Foundation (PKSF)**
  - **the Pilot Project on Climate Resilience, and mitigation projects (PPCR)**

Bangladesh Climate Change Trust Fund (BCCTF) :This fund has set by an Act of Parliament and the Government of Bangladesh funding it from its own resources. [misallocation and corruption are reported]

Bangladesh Climate Resilience Fund (BCRF)- This multi donor fund was set by support form United Kingdom, the European Commission, Denmark and others, managed by the World Bank rather than the government [even if its governance is different than government managed fund but criticized for being quite slow in disbursing funds]

Palli Karma Shahayak Foundation (PKSF): This fund gets support from both the BCRF and the BCCTF through a decision that 10 percent of their total funding to the civil society to support grassroots and community level adaptation to climate change.

Pilot Project on Climate Resilience (PPCR): It was managed by the Asian Development Bank (ADB) in Bangladesh, and involved the International Finance Corporation (IFC) to bring in the private sector to tackle climate change.

The government has recognised the Economic Resources Division (ERD) to be the National Designated Authority (NDA) for the GCF.

Challenges: The Oily Bamboo

- Intends to reach a 50:50 split in funding between the two but first ambiguity arises from "cross-cutting" project
- Currently, the majority (58%) of accredited entities are international, with the Direct Access Entities making up 27% of the total at national level and 15% at regional.
- Developing countries are worried about monopolizing access of GCF resources to large, developed country based multilaterals – which have thus far received the lion's share of funding.
- Developed countries' historical responsibility should be reflected through financial assistance to developing countries, but often times they pay a deaf ear regarding **"fair burden share" and violate the Article 3 section 1** of the UNFCCC.
- A lack of political realism among the state players ultimately resulted in the emergence of two opposing groups in climate negotiation table at Durban; the first group consisted of the donors and the later consisted of the recipients.

Query to be answered regarding Finance	Issues of great debate regarding Finance
How to fulfill the pledge and from what source?	Long-term finance
Which institutional channel is needed to use or create? How to balance and rationalize the global financial architecture?	Green Climate Fund (GCF); Report of the Transitional Committee on GCF;
Whether and how to align the monitoring, reporting and verification (MRV) climate finance with that of emission reduction?	Principle of Climate Finance(Adequacy ,predictability , equity, public); and Principle of governance of Climate Finance.

Additionality

- In most cases climate finance is treated same as Official Development Assistance (ODA). **The developed countries have to provide 0.7% of their GNI as ODA for the purpose of poverty reduction and development related activities in developing countries as decided the United Nations General Assembly in 1970;**

- Despite ambiguity and debate climate conferences are failed to define additionality of climate finance. Different views exist in defining and interpreting additionality of climate finance.
- Such complexities: bring forth particularly two critical queries: ***how the developed countries could define the additionality of climate finance?***
  - ***and how this large amount of financial assistance could be raised?***

Propositions of Additionality

Climate finance should not be included in 0.7% ODA

This definition is supported by Netherlands and Norway. In 2005, the developed countries pledged to reach the 0.7% target by 2015. According to this definition any types of financial support or aid by the developed countries to the developing countries should be in addition to this 0.7% ODA. This means, climate finance should be over or above the 0.7% ODA.

ODA disbursement in 2009 should be considered as the baseline of future disbursement

This definition, regarding the additionality of ODA, is supported by Germany. According to this definition, increase in any amount of ODA disbursement on climate change after 2009 should be considered as additional. Here the disbursement of ODA in 2009 is considered as the reference level. For instance, if country disbursed 2.0 million USD ODA towards climate change in the year of 2009 and is intended to disburse 3.0 million USD in 2010, then the 1.0 million USD would be considered as additional (subtracting the reference level 2.0 million USD from 3.0 million USD).

Additionality

Spending on Climate Finance should be limited to 10% of traditional aid

According to the former prime minister of United Kingdom, Gordon Brown, climate finance should flow in line with the traditional aids and should be limited to a certain portion, which is up to 10% (Brown's Speech 2009). The developing countries need for development assistance for poverty reduction should not be replaced by finance for adaptation and mitigation.

Increase in Climate finance spending should not be included to ODA

Another definition of climate finance additionality is that climate finance spending should not be included to the ODA target.

This definition separates any amount of financial support for climate change from the ODA target. However, the separation of climate funds does not imply how funds would be raised. The challenge of this definition is structural and monitoring.

Unkept promises: the case of Bangladesh

- IIED and Brown University jointly carried a study on climate finance (2012) and observed that only 10% of total fund so far spent on adaptation which is far from achieving the "balance" between adaptation and mitigation.
- **DFID has returned £13m unspent over the past year, through the World Bank,**
- **There is disagreements between DFID or other funding mechanisms and Bangladesh government on fund management through World Bank or Direct Access.**

"Bangladesh has long had a struggle with the World Bank. But Bangladeshis are very experienced. The level of expertise in terms of engineers and scientists is spectacular. They have been pushing against climate change for 20 years. They have led developing countries in negotiations on climate change. Yet the USA, DfID, and the other donors kept saying, 'We know better than you.'" (Hanlon, Co-Author of Bangladesh confronts climate change)

"It was a mistake for donors to set up a separate fund. It's like saying we don't trust you and we're not giving you the money – that's a bad message from the beginning. What they should have done is said, 'We are giving it to the government trust fund but with strings attached – it has to be monitored and evaluated.'" (Dr. Saleemul Huq, Director, ICCAD)

Expectation or Rationality?

ODA diversion from traditional development assistance to mitigation and adaptation activities in developing countries gives rise to few questions like

- *how the poor developing countries will reduce poverty and achieve economic growth?*
- *how countries are able to cope with changing climate; are there any implicit tradeoff between responding to climate change and reducing poverty?*
- *how could ODA and flows of climate finance meet their stated goals without compromising others?*

- Both adaptation and mitigation is considered as prerequisite to achieve the SDGs.

- If much of the ODA is allocated for adaptation and mitigation activities than other sectors like education, health then achieving SDGs will be challenging.

??

Supported by:

USAID
FROM THE AMERICAN PEOPLE

This slide is made possible by the support of American people through the United States Agency for International Development (USAID). The contents are the sole responsibility of the Gobeshona programme and do not necessarily reflect the views of USAID or the United States government.