The climate finance landscape
Addis Ababa, Ethiopia
ARFSD 22 April 2024
The (un)importance of a common definition
Including ‘new and additionality’

Submissions of views on the operational definition of climate finance

<table>
<thead>
<tr>
<th>Primarily providers of CF</th>
<th>Need common definition?</th>
<th>Mentions new and additional?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Environmental Integrity Group*</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>EU</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Japan</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Norway</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>US</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Primarily recipients of CF</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African Group</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Independent Association for LAC</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Alliance of Small Island States</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>India</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Indonesia</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Kenya</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>LDCs</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Like-minded developing countries</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Philippines</td>
<td>Unspecified</td>
<td>Yes</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>Unspecified</td>
<td>Yes</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: UNFCCC SCF
Double counting and the US$100-billion question

UK accused of double counting £500m of aid to meet climate pledge

Helena Horton
Environment reporter
Tue 16 Apr 2024 05:00 BST

Humanitarian work in Afghanistan and Yemen now classified as climate finance, FoI request reveals, as £11.6bn pledge slips
Japan’s concessional loan commitments in 2017 were US$6.1 billion (this excludes grants, which are only a couple of million).

Disbursements by 2021 were just US$1.4 billion

At this rate, it will take Japan two decades to disburse the finance.

Source: UNFCCC BR4, OECD CRS
The climate finance landscape/ www.devinit.org
Climate finance reported at the UNFCCC that does not demand any “firm written obligation”

Canada had precision of around 90%, vs. Japan’s precision of around 19%
Contrasting climate financing to ODA
OECD DAC vs UNFCCC

Despite its obvious shortcomings, there is at least a framework we can use to assess a project’s ODA-eligibility – the Statistical Reporting Directives. For example, the 2023 Converged Statistical Reporting Directives states:

A commitment is a firm **written obligation** by a government or official agency, **backed by the appropriation or availability of the necessary funds**, to provide resources of a specified amount under specified financial terms …

But with **climate finance**, it seems like it is more often based on ‘a feeling’
A recent investigative report by Reuters revealed that **US$2.6 billion** as climate finance funded ‘climate’ projects that supported:

- Opening chocolate and gelato stores across Asia (Italy)
- Expanding a coastal hotel in Haiti (USA)
- Producing a love story set in Argentine rainforest (Belgium)
- Building a coal plant in Bangladesh (Japan)
- Expanding an airport in Egypt (Japan)
Debt stress: Africa’s Constrained fiscal policy space

Eight (8) African countries are already in debt distress and 13 in high risk of debt distress.

47% loans at market rate
30% concessional rate
20% ag grants

Source: Development Initiatives based on IMF data

Note 1: Data presented for 40 sub-Saharan African countries that are Poverty Reduction and Growth Trust (PRGT)-eligible countries.

Note 2: Data for Eritrea and Nigeria left blank

Note 3: Data downloaded on March 07, 2024
Summary: The messy landscape

The messy climate finance landscape

• Double counting
• Misreporting – deliberate or accidental
• Counting irrelevant projects
• Borrowing for climate action – debt distress
• Pledges/commitments not translating into actual disbursements
Global Financial architecture
Any change or alternative system should answer

Will it go beyond cosmetic changes – addressing power imbalances?
Will it still be based on greedy capitalism and neoliberalism – fronting markets as the solution?
Will it enhance Africa’s agency?
Navigating the climate finance gridlock

Understanding climate finance

1. Track only disbursements
2. Consider additionality
3. Double down on domestic resource mobilisation
4. Quantify carbon sequestration for flexible emission space
5. Consider net contribution to climate (not the whole project value)
6. Borrow from the OECD-DAC where for written obligations on ringfenced resources
7. Let the NCQG come with guidance on the definition, aggregating methodology and reporting of climate finance
Thank you!

Get in touch Martha.Bekele@devinit.org

Read more from DI: www.devinit.org

Follow us on Twitter/X: @devinitorg

Follow us on LinkedIn:
www.linkedin.com/company/development-initiatives