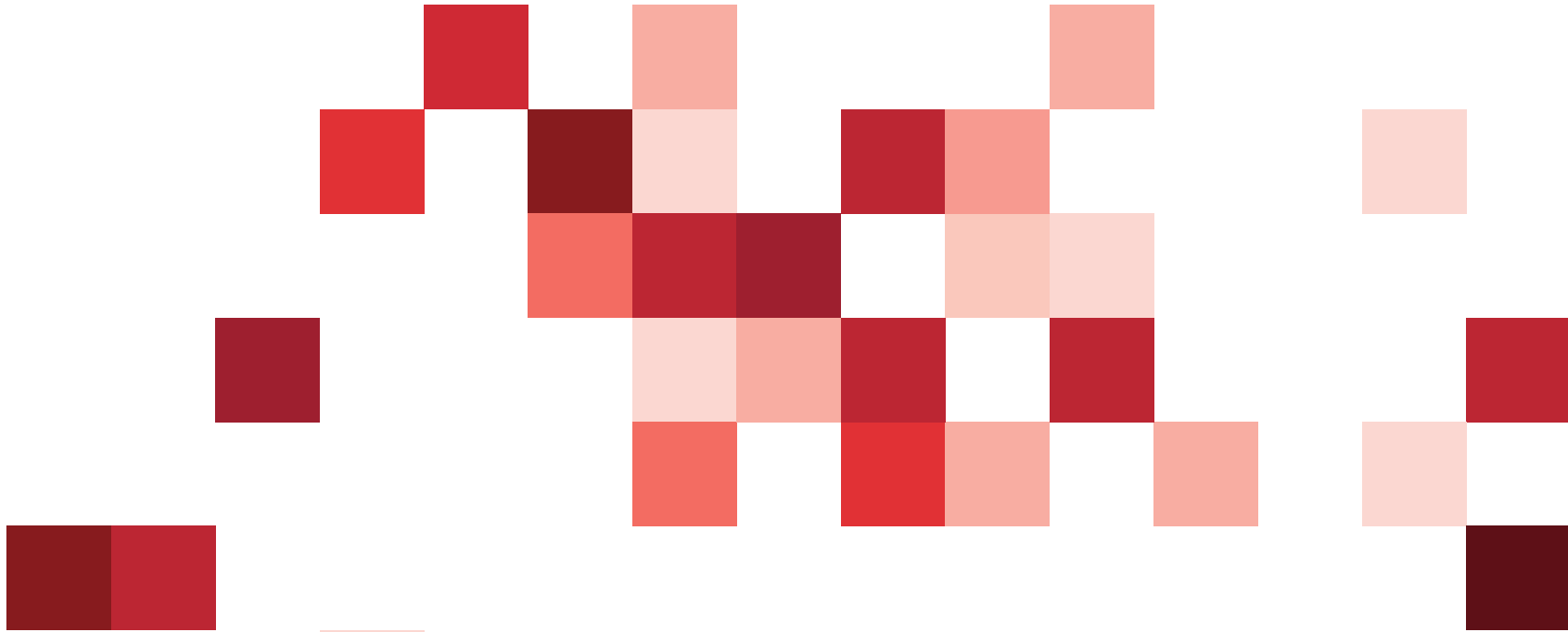




**development
initiatives**



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		
Primarily providers of CF	Need common definition?	Mentions new and additional?
Canada	No	No
Environmental Integrity Group*	No	No
EU	No	No
Japan	No	Yes
Norway	No	No
US	No	No
Primarily recipients of CF		
African Group	Yes	Yes
Independent Association for LAC	Yes	No
Alliance of Small Island States	Yes	Yes
India	Yes	Yes
Indonesia	No	Yes
Kenya	Yes	Yes
LDCs	Yes	Yes
Like-minded developing countries	Yes	Yes
Philippines	Unspecified	Yes
Solomon Islands	Unspecified	Yes
Vanuatu	Yes	Yes
Source: UNFCCC SCF		

Double counting and the US\$100-billion question



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Climate finance

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

Humanitarian work in Afghanistan and Yemen now classified as climate finance, FOI request reveals, as £11.6bn pledge slips



Helena Horton
Environment reporter

Tue 16 Apr 2024 05.00 BST

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development initiatives

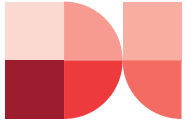
Who we are What we do How we work Resources [Blog](#) Events Data Work for us

BLOG | DECEMBER 2023

Is climate finance wrongly reported by over a billion dollars per year?

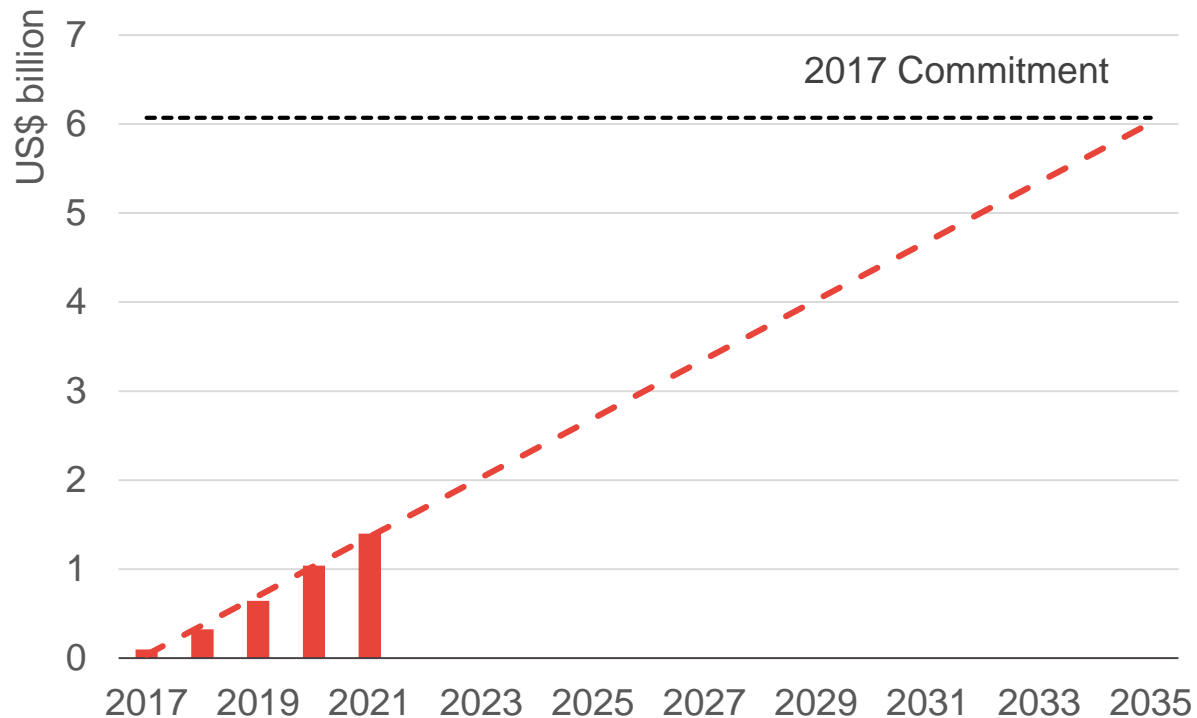
We used AI to assess how the World Bank and the UK are recording climate funds. Our model identifies one in five of the Bank's projects as appearing suspicious and warranting further investigation, compared with the UK's one in 50.

AUTHORS
Alex Miller, Euan Ritchie



Meeting commitments ... with more commitments

Japan's disbursements against its 2017 loan commitments reported to UNFCCC



Japan's concessional loan commitments in 2017 were **US\$6.1 billion** (this excludes grants, which are only a couple of million).

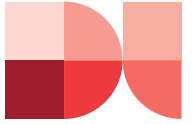
Disbursements by 2021 were just **US\$1.4 billion**

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

Source: UNFCCC BR4, OECD CRS

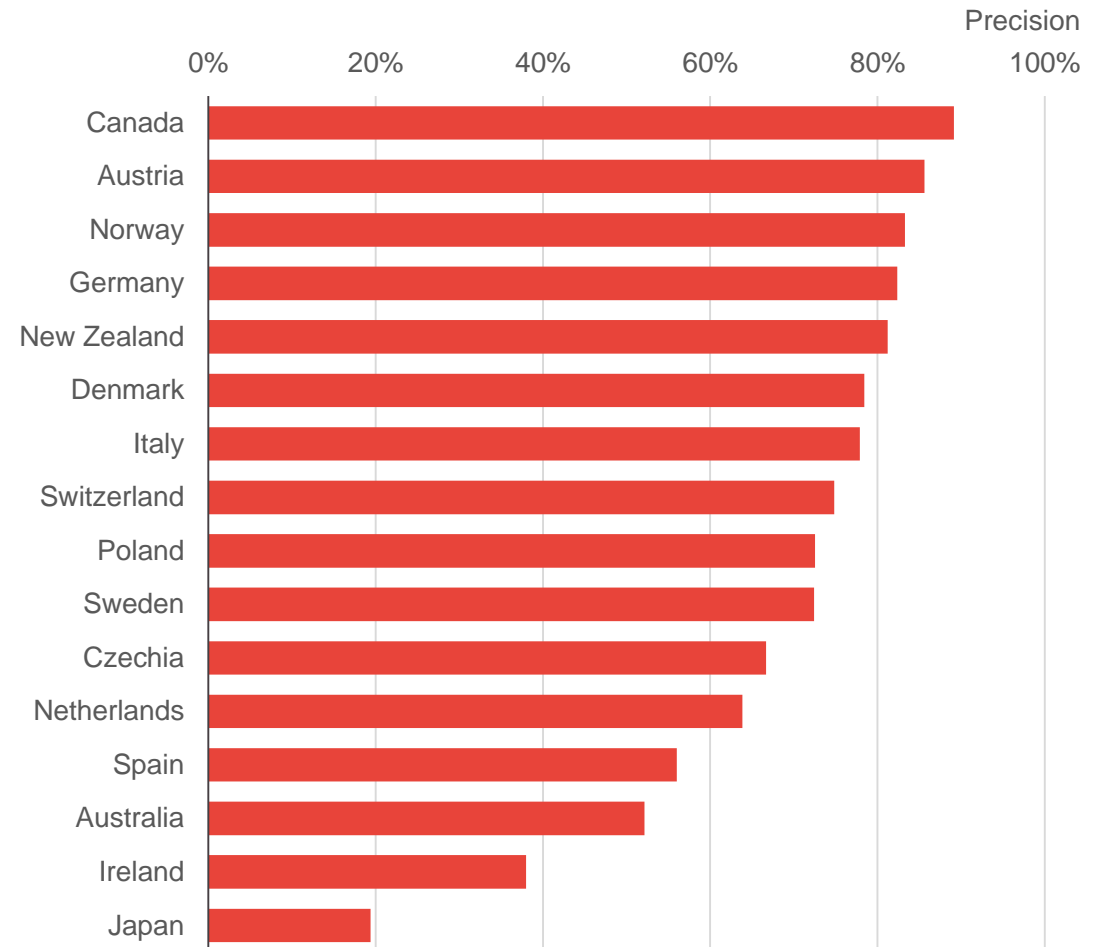
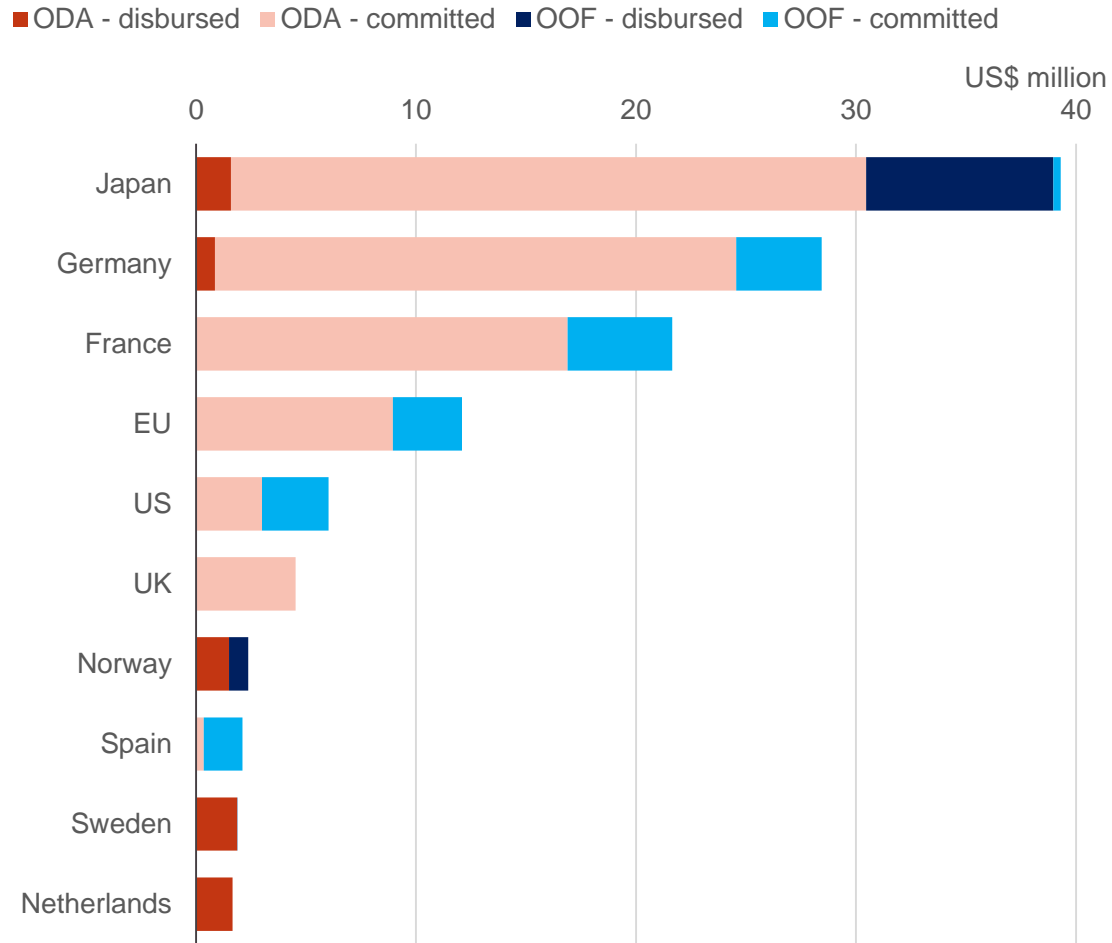
The climate finance landscape/ www.devinit.org

UNFCCC data vs OECD CRS



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'



Of chocolate and gelato stores...

The absurdity in climate finance reporting

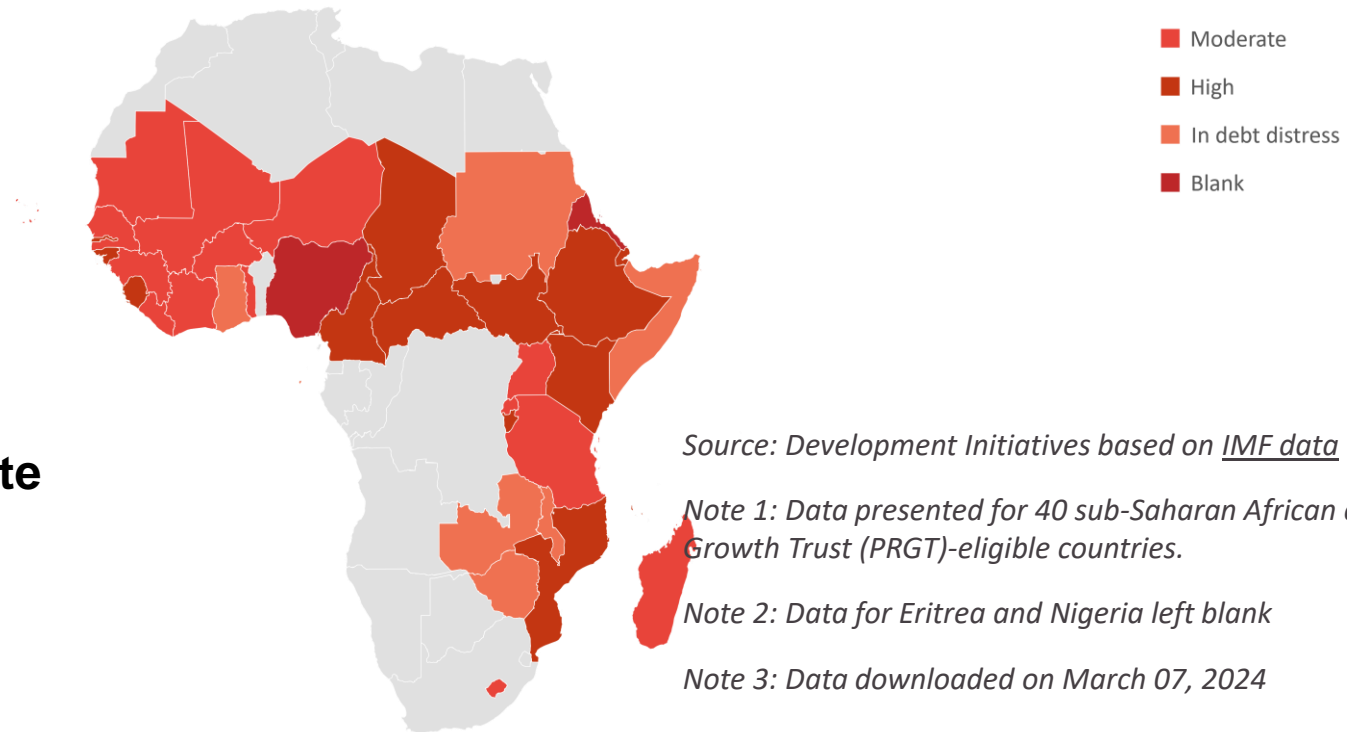
A recent investigative report by Reuters revealed that **US\$2.6 billion** as climate finance funded 'climate' projects that supported:

- 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

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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?

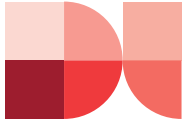
Will it enhance Africa's agency?

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

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