**Backgrounder**

**International Climate Finance and the DAC**

**What is international climate finance?**

International climate finance refers to transnational financing from public, private and alternative sources that seeks to support efforts to mitigate or adapt to impacts in developing countries of the climate crisis (i.e. the atmospheric build up of greenhouse gases that is changing the patterns of climate across the globe). International climate finance supports the goals and commitments of the international community as set out in annual meetings of the UN Framework Convention on Climate Change (UNFCCC), which is an international treaty adopted at the 1992 Earth Summit in Rio de Janeiro.

In Copenhagen in 2009, at the UNFCCC Conference of the Parties (COP15), the international community committed to reach US$100 billion in total international climate finance by 2020. This annual commitment was extended to 2025 at the 2015 Paris COP21, which also adopted the *Paris Agreement* governing commitments on addressing the climate crisis by the international community.

The global climate crisis is accelerating rapidly with deepening and irreversible impacts on people, nature and ecosystems. In October 2018, the UN Intergovernmental Panel on Climate Change (IPCC) issued a landmark Report on keeping global temperature increases at 1.50C with a clarion call for transformative and unprecedented shifts in energy systems and use. 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)[[1]](#endnote-1)

In June 2019, Philip Alston, the UN Special Rapporteur on Poverty and Human Rights, suggested, “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.”[[2]](#endnote-2) He noted the profound inequality in which developing countries would bear an estimated 75% of the cost of the climate crisis, 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.”[[3]](#endnote-3)

With the climate crisis increasingly understood as a “climate emergency,” DAC providers must respond with ambitious targets for transformative climate finance to address both mitigation (seeking the rapid reduction of emissions) and adaptation (increasing resilience in responding to existing climate change impacts). From a human rights and climate justice perspective, they must do so by giving particular priority to the rights and interests of countries and peoples most vulnerable to the evolving climate crisis.

**Why is climate finance important to Africa?**

The UNFCCC describes Least Developed Countries, Small Island Developing States and Sub-Saharan Africa as particularly vulnerable to climate change impacts.

If the global mean temperature reaches 2° C of global warming, it will cause very significant changes in the occurrence and intensity of temperature extremes in all sub-Saharan regions. The planet is currently on track for 3° C global warming before the end of the century.

According to the IPCC, the western Sahel region will experience the strongest drying, with long periods of maximum length of dry spells, creating an environment of temperature extremes, shrinking natural resources, including land and water resources.

West Africa also has been identified as a climate-change hotspot, with climate change likely to lessen crop yields and production, with resultant impacts on food security. A similar pattern is projected for the western part of Southern Africa. Millions of hectares of agricultural land will be much less productive affecting people in areas already prone to food insecurity. Drought, desertification and scarcity of water resources have led to heightened conflicts between crop farmers and cattle herders, increasing tendencies towards weakening governance.

Increasing temperatures, particularly around the equator, will affect the distribution of ecologically determined diseases into currently more temperate areas, with fragile health systems. Health impacts will also be compounded by increasing food insecurity and potential climate induced migration.

The Kenyan economy, for example, is already being affected by climate change from persistent drought. One estimate is that the economy lost US$12.1 billion across a four-year drought from 2008 to 2011, with the poorest people suffering the greatest losses. These losses are expected to rise and claim at least 3% of the Kenyan economy by 2030. Overall, loss and damages may cost Africa up to US$100 billion per year by 2050 at a 2o C increase, and much more if average temperatures exceed this level.[[4]](#endnote-4)

**What are some key issues in international climate finance?**

1. **Assessing climate finance:** Ten years after Copenhagen it is still very difficult to assess even the basics of climate finance. DAC providers submit a biennial report to the UNFCCC detailing their performance, including international climate finance. While the transparency of these reports have improved, there is still no agreement on what can be included as climate finance (e.g. support for clean coal) or the method for calculating this finance (e.g. to what degree the budget of projects with one climate objective among other objectives is included). The OECD DAC produces an annual report on climate finance against the US$100 billion target based on these UNFCCC reports, the Rio Marker for climate change in the OECD database (the Creditor Reporting System, CRS), and their own research.[[5]](#endnote-5)
2. **Estimates of provider performance** relative to the US$100 billion goal is under-whelming – at best reaching two-thirds of the target in 2017 (US$56.7 billion) and highly concentrated among six major providers. In 2016, DAC members produced a Roadmap setting out proxy targets for bilateral contributions (US$37.3 billion), multilateral contributions attributed to bilateral providers (US$29.5 billion), and mobilized finance from the private sector (US$33.2 billion). Using a common framework for climate finance (see footnote #6 above), it is estimated that DAC providers contributed US$18.5 billion in bilateral climate finance, of which 30% (US$5.4 billion) was directed to Africa. Slightly more than a third (35%) of adaptation finance was directed to Africa in that year.[[6]](#endnote-6)
3. **Mixed performance in climate justice allocations**, targeting the rights and interests of the most vulnerable people and countries:
	* Less than a third (27%) of total finance dedicated to adaption to countries most vulnerable.
	* Loans not grants are a major modality for climate finance, particularly for mitigation.
	* Women and girls receive no particular priority in climate finance with two thirds of projects having no gender objectives.
	* Climate finance is not additional, but is taking an increasing proportion of ODA for other purposes (11% in 2017)
4. **Further research is needed to elaborate the implications of good practice approaches in effective development cooperation** for implementing climate finance and assess impact at country level.
5. **Preliminary evidence that major challenges may limit the effective delivery of climate aid** and its sustainable impact at the country level[[7]](#endnote-7):
	* Evidence of limited progress in the alignment of provider aid with country priorities (GPEDC). To what degree is climate finance aligned with countries’ Nationally Determined Contribution priorities? How inclusive is the process in developing NDCs (democratic country ownership)?
	* Increasingly constrained space for civil society actors and attacks on HRDs addressing environmental issues. Nearly three-quarters (72%) of the 633 human rights defenders killed in 2017 and 2018 were “defenders working on land, indigenous peoples’ and environmental rights [Frontline Defenders, 2019]. Altogether more than 60% of the world’s population – 4.5 billion people – live in countries where civic space is closed, repressed or obstructed [Civicus Monitor, 2019]
	* Little assessment of development impacts of partnerships based on blended finance, which is an increasing modality for mitigation and adaptation finance.
	* Accountability structures for climate finance are very weak or non-existent.

**What are the main priorities for the DAC CSO Reference Group on climate finance?**

The OECD/ DAC play a significant role in technical analysis of public and private climate finance, with an annual report on climate finance, 2013 -2017 (against the global target of US$100 billion by 2020). It maintains annual datasets on climate finance, based on the Rio Marker for climate. It researches data on private finance for development, including climate finance, and works with providers on best practice in blended finance with the private sector. Finally, the OECD is developing a policy framework on the alignment of development cooperation with the objectives of the *Paris Agreement* (a preliminary summary available [here](http://www.oecd.org/dac/environment-development/aligning-development-co-operation-with-the-objectives-of-the-paris-agreement.htm)).

In developing a strategy on climate finance and the DAC, the Reference Group is sensitive to issues relating to the legitimacy / mandate of the DAC and the pre-eminence, responsibilities and politics of the UNFCCC. The focus with the DAC will have several dimensions:

1. Advocate with DAC members for increased climate finance, based on shared rules as to what can be included and how to count projects with Rio Climate Marker #1, at least mitigation finance in addition to current levels of ODA.
2. Advocate a climate justice framework for the allocation of DAC climate finance — balance between mitigation and adaptation, priority to LDCs, SIDSs, and Sub-Saharan Africa in adaptation finance commiserate with needs, support for loss and damage finance in addition to adaptation, attention to gender equality and women’s empowerment in climate action, and priority to grants over loans.
3. Dialogue with DAC members on the implications of aligning development cooperation with the objectives of the *Paris Agreemen*t.
4. Dialogue, analysis and develop Reference Group proposals relating to the current emphasis on blending modalities for private sector engagement in climate action, consistent with the Kampala Principles for Effective Engagement of the Private Sector.
1. 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/>. [↑](#endnote-ref-1)
2. 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>. [↑](#endnote-ref-2)
3. Ibid, p. 17. [↑](#endnote-ref-3)
4. Julie-Anne Richards and Liane Schalatek, “Financing Loss and Damage: A Look at Governance and Implementation Options,” Heinrich Böll Stiftung North America, May 2017, accessed at <https://www.boell.de/sites/default/files/loss_and_damage_finance_paper_update_16_may_2017.pdf> [↑](#endnote-ref-4)
5. For the latest DAC climate finance statistics and its annual statistical report see <http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm> [↑](#endnote-ref-5)
6. For the methodology used in making these calculations of climate finance by the author, see Annex One in Brian Tomlinson, “The Reality of Canada’s International Climate Finance, 2019,” accessible at [www.aidwatchcanada.ca](http://www.aidwatchcanada.ca). [↑](#endnote-ref-6)
7. These questions / observations are drawn from Tomlinson (2019) above, which attempts to apply conclusions from the GPEDC Third Monitoring Round to the performance of climate finance as an effective resource for meeting climate challenges in developing countries. [↑](#endnote-ref-7)