

FAKING FINANCE?

June 2011

Developed countries claim that they are providing \$30 billion in short-term finance by the end of 2012. This was promised at the 2009 Copenhagen climate summit and again in Cancun. The goal was to enable developing countries to start reducing their emissions and prepare for climate impacts, but do the numbers add up?

Money for climate is supposed to be “new” and “additional” to foreign aid

- The \$30 billion promised in Copenhagen is supposed to be “new and additional, predictable and adequate funding”
- This was reaffirmed in Cancun, where it was also agreed that the money would be directed in a “balanced” way to projects to prepare for climate impacts and for projects to reduce emissions.
- The injection of new, short-term money was meant to start action now, while the systems to deliver the scale of finance actually required (hundreds of billions of dollars or more per year) were being designed.
- This new money would show a commitment by rich countries to meeting their obligations to provide climate finance and would build trust in the negotiations.

Current pledges and actions show that the \$30 billion target will not be met

- In May 2011, developed countries reported pledges to the UN totaling \$28 billion in short-term finance.
- A recent report, estimated that countries have actually promised only \$16.2 billion of the \$30 billion, and of that a mere \$12 billion has been allocated in rich countries’ national budgets – meaning just over a 1/3 of their commitments are likely to be met.

Evidence shows that money that has been promised is neither new nor additional

- There is growing evidence that little of the finance is genuinely “new” – i.e. committed since Copenhagen – or “additional” – meaning above and beyond existing pledges for other programs such as foreign aid.
- Japan, for instance, claims to have pledged \$15 billion over the three-year period, but \$10 billion of this was already promised under its Cool Earth Partnership back in 2008.
- Globally, it seems that less than \$5 billion of the \$30 billion (considerably less than 20%) may be genuinely “new and additional” in the sense that it was not already pledged before Copenhagen and will not involve double-counting Official Development Assistance (ODA).

Developed countries must honor their promises, and agree to transparency of their pledges

- It is difficult to see exactly how and where developed countries are counting their climate finance promises.
- To build accountability and trust, a transparent system for reporting, monitoring and verifying the delivery of financial resources from developed countries – based on best practices - must be established immediately.
- Developed countries should provide information on the proportion of their financing pledged after Copenhagen and above ODA, amounts directed toward adaptation and mitigation, and type of financing delivered (for example, grants, no-interest loans, loans to be repaid, etc.), and the proportion of overall climate finance provided through the UNFCCC and other channels.

Tricks of the trade for padding short-term finance:

Re-packaging existing climate funds and re-announcing existing commitments

Double counting Official Development Assistance (ODA) as climate finance

Counting the full value of loans requiring repayment, rather than just the grant component

Conflating payments for carbon offsets to meet developed countries’ own mitigation commitments with financing for developing countries

Conflating finance provided by developed countries with the financing they mobilize from public and private sources in developing countries.

To stop these tricks:

Countries need to establish the ‘Standing Committee on Climate Finance’ tasked in Cancun with providing coherence and coordination in the reporting and verification of funds delivered to developing countries.