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The eight unmet promises of fast-start climate finance

Policy pointers

- **Finance is not adequate.** Funding needs to be scaled up, provided as grants that are new and additional to Official Development Assistance, and targeted at the countries particularly vulnerable to climate change.
- **Only Japan and Norway** committed their 'fair share' of climate finance. Commitments should reflect both responsibility and capability.
- **More funds must go to** adaptation. Only one-fifth of climate finance supports adaptation in developing countries despite Copenhagen commitments to balance funding between adaptation and mitigation.
- **Contributor countries are** not being transparent. Only Switzerland received a 'pass grade' in this year's transparency scorecard; improved practices and an independent climate finance registry are needed.
- **UN Climate Funds remain** empty shells. Only two per cent of climate finance is being delivered through the UN Climate Funds. Scaling up of these multilateral funds is needed to strengthen trust between contributor and recipient nations.

Wealthy nations are still not meeting their Copenhagen climate finance pledges. While we await the final numbers from a few contributors, reports submitted to the UNFCCC in May 2012 show that only two of the ten contributors committed their 'fair share' of fast-start climate finance, assessed on their capability and their responsibility for the problem. The United States, European Union and Iceland committed half or less than half of their fair share. The result is that only $23.6 billion has been committed, short of the $30 billion pledged. Only one-fifth of climate finance supports adaptation in developing countries, in spite of promises to 'balance' it with mitigation funding. Only Switzerland received a 'pass' grade in this year's transparency scorecard. Less than half of committed funds are grants and only two per cent are flowing through the UN, where they could strengthen trust between contributor and recipient nations. It is past time to meet the long-agreed principles: new and additional, predictable, and adequate climate finance.

At the 2009 Copenhagen climate change negotiations the world's wealthier nations pledged major funding to help developing countries shift to a lower-carbon economy, and to deal with current and future climate change impacts. They pledged US$30 billion of 'new and additional' fast-start climate finance, with funding 'balanced' between mitigation and adaptation. We are now at the end of the fast-start period (2010–2012). So which contributor countries met their obligations and which are lagging?

Based on countries' May 2012 reports to the UNFCCC, we have expanded our 2010 and 2011 approach to assessing fast-start finance[1,2] and our 2011 transparency scorecard[3] into an overall assessment of whether the ten contributors met their commitments: to transparently provide a fair-share of the US$30 billion promised, while balancing adaptation and mitigation funding, sourcing funds through UN channels, and without reverting to debt-inducing loans in the place of grants (see Table 1). We take up eight ways that the fast-start programme failed to meet its promises.

Unmet promise 1: Not transparent

In Cancun in 2010, Parties reaffirmed finance pledges made the previous year in Copenhagen and called for a Standing Committee to improve "coherence and coordination in the delivery of climate change financing". They also charged the Committee with the "measurement, reporting and verification of support provided to developing country Parties". Despite these initiatives, transparency among contributors remains weak. Without transparency about how and when wealthy countries will fulfil their climate finance pledges, developing countries are unable to plan adequate responses to climate change.

We scored ten contributor fast-start finance reports to the UNFCCC on 24 transparency metrics, awarding 0, 0.5 or 1 for each measure to produce an overall score.

The 24 metrics fall under three broad categories: 'summary information', 'measuring and allocating funds', and 'project data'. Summary information covers basic data in the report, such as its timeliness, clarity, and whether it includes the most essential information (such as the overall amount committed and the percentage of funds directed to adaptation, among other measures). 'Measuring and allocating' metrics explore how countries define new and additional funding, and how they determined their 'fair share' contribution. 'Project data metrics' look for specific details on funded activities that are accessible, complete, and easy to use.[4]

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Only one-fifth of climate finance supports adaptation in developing countries

Last year, Norway, Japan and the EU were the only contributors scoring near or over 50 per cent for transparency. This year, Switzerland, Liechtenstein and Australia have supplanted them at the top.

By not submitting a report Norway fell from first to worst. Nevertheless, Switzerland's 67 per cent — the top score — is still a poor grade for most university students. Of the contributors that submitted reports, the United States has fallen into last place. Table 2 presents the scorecard for 2012.

Unmet promise 2: Contributing a fair share

Thus far, donors have only committed a total of US$23.6 billion of the US$30 billion promised in Copenhagen. Actors including the European Union, United States, Canada and New Zealand have indicated have indicated that they will make additional fast start contributions by the end of the period.[5]

What portion of climate finance should each contributor deliver? And are those most responsible and able to contribute fulfilling their obligations? Whether or not countries had offered their own rationale, we assessed a 'fair share' of the overall US$30 billion pledge based on an average of two scores. These include 'responsibility' for the problem of climate change and 'capability' (national income), compared across contributors (see Table 1).

We measured responsibility obligations based on a contributor's cumulative historical carbon dioxide emissions between 1960 and 2008. To calculate what portion each donor should have provided, we divided each donor's percentage contribution of the total US$30 billion pledge by their percentage of the total emissions caused by all the donor countries.

We also scored the capability of a donor to meet its obligations based on the size of its economy. To calculate this capability-based fair share, we divided each donor's percentage contribution of the total US$30 billion pledge by their percentage of the total US$30 billion commitment by their percentage of the combined Gross Domestic Product of all contributors (using the most recent World Bank data — from 2011).

Although Norway did not submit a report this year, we were still able to calculate its fair share score using last year's numbers. Over the fast-start period, Norway and Japan have performed the best of any donors, contributing several times above their fair share. New Zealand and Canada contributed near their fair share, while all other actors have contributed below what they should.

Unmet promise 3: Balanced funding for adaptation

One of the key stipulations of the fast-start finance was to strike a balance between adaptation and mitigation funding. So far, this has not been achieved. In the 2010 country reports, the percentage of funds allocated for adaptation projects was in the low teens. By 2011, countries had slightly improved — 19–25 per cent had been allocated for adaptation projects.

In this briefing we consider the share of funds that have been committed to adaptation during the entire fast-start finance period, 2010–2012. Unfortunately, we find that our high estimate now barely exceeds 20 per cent for the period — a far cry from the 50 per cent required to achieve true 'balance', as most recipient countries understand the term.

Table1. Meeting promises.

	Fast-start finance commitment (US$ millions)‡	Fair share	% adaptation	% grants	% through UN funds
Norway*	710	492%	9-11%	100%	1%
Japan	9,600	291%	12-18%	21%	1%
New Zealand	69.8	88%	32-35%	100%	0%
Canada#	1,015.6	84%	9-12%	25%	2%
Switzerland†	135.5	75%	39%	100%	11%
Australia	603	74%	52%	100%	7%
Liechtenstein	2.1	70%	67%	100%	0%
EU#	6,390	54%	32%	55%	3%
USA#	5,100	43%	17%	67%	2%
Iceland	1	15%	23-47%	100%	13%
Total	**23,627**	**79%**	**20-22%**	**45%**	**2%**

A more detailed table for fair share figures is available at http://pubs.iied.org/17143IIED.

**Norway had not submitted the report due in May, so the numbers included for Norway in this table are from the last report submitted, in May 2011.*

#Said that they will provide additional funds by the end of 2012.[5]

†Total Swiss finance for climate change for during the fast start period was US$387 million; however, this includes funding that is not new and additional.

‡ Currency exchange rates to US$ are either as given by the country report or, where this was not provided, we used an exchange rate as of June 2012.

Table 2. Transparency scorecard, fast-start reports filed in May, 2012

Transparency rank	Contributor	Summary information	Baseline definition	Project level data	Overall score
1	Switzerland	75%	67%	59%	67%
2	Liechtenstein	40%	67%	59%	52%
3	Australia	80%	67%	18%	50%
4	Iceland	45%	17%	50%	44%
5	New Zealand	50%	33%	32%	40%
5	EU	60%	0%	32%	40%
7	Japan	55%	17%	27%	38%
8	Canada	55%	50%	14%	35%
9	USA	40%	17%	23%	29%
10	Norway	0%	0%	0%	0%

See the online-only table at http://pubs.iied.org/17141IIED for details of scoring on the 24 sub-indicators.

Although Australia, Switzerland and Liechtenstein lead, allocating around half of their contributions to adaptation, many more countries give less than a third of their funds for adaptation (see Table 1).[6]

Recent estimates of the amount of funds developing countries actually need to adapt to climate change impacts range from US$86 billion to US$109 billion by 2015.[7] In comparison, donors have allocated US$1.5 billion per year for adaptation, a mere 1–2 per cent of this need.

Unmet promise 4: Debt-free finance

Funds promised during the fast-start finance period fall into one of two categories: grants or loans. Projects funded with loans leave recipient nations with an obligation to pay back money to the donor nation with interest. This is inappropriate for adaptation, and goes against the principles of the Convention.

Although six of the ten donors committed grant funding alone, the overall portion of fast-start finance that is debt-free remains under 50 per cent, as calculated from the country reports for the whole fast-start period. This is because it was the four largest contributors — the United States, the European Union, Japan and Canada — that did not commit to exclusively grant-based funding (see Table 1).

Unmet promise 5: Funds are not channelled through the UN

The Cancun Agreements promised to channel adaptation and mitigation funds through “a governance structure providing for equal representation of developed and developing countries”. This was in response to rising calls for climate finance to be governed more democratically, and was intended to let Parties to the United Nations Framework Convention on Climate Change (UNFCCC) better guide fund management.

The Special Climate Change Fund, Adaptation Fund and Least Developed Countries Fund are now better established, and promise more transparency and voice to recipient parties than other multilateral sources of aid. But the overall percentage of fast-start finance channelled through these funds remains a dismal 2 per cent (Table 1). Only Australia, Switzerland and Iceland contribute more than 6 per cent of climate finance through these channels. Will the new Green Climate Fund face a similar fate?

Unmet promise 6: Funds may not be new

The Copenhagen promises were for US$30 billion ‘new and additional’ funds. Beneficiary nations are gravely concerned that fast-start finance must not be money reallocated from previous promises on basic needs, such as health and education.

There has been some progress on transparency in this. Four of the country reports submitted to the UNFCCC in May 2012 contain better baseline definitions for determining which funds are in fact new and additional. Six out of ten contributors have now received points for clarity.

Nevertheless, transparent definitions are not enough to confirm that funds are not diverted from other pressing development needs. Overall, poor transparency made it impossible to include individual scores on ‘new and additional’ funds.

But if fast-start climate finance is indeed new and additional, overall levels of Official Development Assistance (ODA) should be increasing. Yet, according to the OECD, between 2008 to 2011 all ODA for all purposes from all countries (not just the fast-start contributors) rose only by about US$11.7 billion.[8]

Unmet promise 7: Vulnerability not addressed

In recent negotiations, the Least Developed Countries (LDCs), the Africa Group, and the Alliance of Small Island States (AOSIS) negotiating groups became more vocal about their vulnerability to adverse climate change. The convention texts do indeed prioritise them as "most vulnerable." These nations' citizens are already experiencing dramatic environmental changes, from sea level rise in Bangladesh, Tuvalu and the Gambia to reduced crop yields and drought in the Sahel. It is crucial that climate finance addresses these most vulnerable countries' needs, but only two of the ten contributors provided data to show whether they had done this.

Poor information makes it very difficult to assess how contributor countries address vulnerability. But there is one indicator: the most urgent and immediate adaptation needs identified in the Least Developed Countries' National Adaptation Programmes of Action require an estimated US$3 billion. To date, only US$536.7 million has been pledged to the Least Developed Countries Fund (the LDCF).[9] Given that the fund remains short by nearly US$2.5 billion, and that only 2 per cent of fast-start finance has been channelled through UN funds like the LDCF, where vulnerable countries feel their voices can be heard, it is safe to say there is an urgent need for improvement.

Unmet promise 8: Pledges not delivered

Although large fast-start pledges are appreciated, what really matters to developing countries is actual delivery of funds (what are called 'disbursements'). Unfortunately, most of the donors have failed to disclose how much they have delivered thus far.

In 2012, only Canada, Iceland, and Australia provided useful figures for disbursements in their reports. Switzerland also mentioned disbursements, but conflated projections of future with current disbursements. Norway has previously described disbursements, but submitted no report this year.

A report by Bloomberg New Energy Finance estimates that only US$11.3 billion total of fast-start finance had been delivered to different funding agencies by September 2011.[10] Another source considering total climate finance (not just fast start) suggests that, on average, climate finance disbursements are less than 25 per cent of the amount approved for delivery, and less than 10 per cent of the totals originally pledged.[11] Because there is no agreed classification for the status of project funds, nor consistent reporting of 'deposited', 'approved' and 'disbursed' finance, we could not score countries on disbursement. But clearly, there is far to go before all of the funds that were pledged actually get delivered and put to use.

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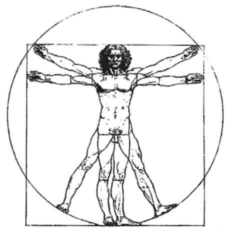
Notes

[1] Ciplet, D. *et al.* 2010. *Fast start adaptation funding: keeping promises from Copenhagen.* IIED Briefing. IIED, London. http://pubs.iied.org/17088IIED [2] Ciplet, D. *et al.* 2011. *Adaptation finance: How can Durban deliver on past promises?* IIED Briefing. IIED, London. http://pubs.iied.org/17115IIED [3] Ciplet, D. *et al.* 2011. Scoring fast-start climate finance: leaders and laggards in transparency. IIED Briefing. IIED, London. http://pubs.iied.org/17100IIED [4] The methodology for this year's transparency scorecard is almost identical to our 2011 scorecard (ref. 3). The only difference is that this year, if a country did not report all project level data, that country could not score higher than 0.5 in the rest of the project level criteria. [5] This is due to the fact that this data was taken from reports submitted to the UNFCCC through May 2012. Three countries have proposed specific additional contributions to be made by the end of the period: the EU US$3.6 billion; Canada US$235 million; and New Zealand US$48.8 million. The US has also said that it will make additional contributions, but has not specified an amount. [6] Adaptation percentages by country and overall are presented as a range. Low estimates are based on adaptation funding listed in each country's 2011 and 2012 reports. High estimates also include a third category of projects besides adaptation and mitigation (i.e. 'multi-sector', 'capacity-building', or 'both'). For contributors that listed such a category, we applied 50% per cent as an estimate for the extra portion counting as adaptation. [7] UNDP Human Development Report as cited in Agrawala, S., Fankhauser, S. (eds). 2008. *Economic Aspects of Adaptation to Climate Change. Costs, Benefits and Policy Instruments*. OECD, Paris. [8] Query by the authors of OECD ODA Flows Data at http://stats.oecd.org/qwids [9] Ciplet *et al.* unpublished. Least Developed Country demands for replenishment of the LDC Fund. [10] Cuming, V. 2011. *Have developed nations broken their promise on $30bn 'fast-start' finance?* Bloomberg New Energy Finance White Paper, September 2011. www.newenergyfinance.com/WhitePapers/download/47 [11] www.climatefundsupdate.org/global-trends/size-spending



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Fair share figures

Capability	Switzerland	Liechtenstein	Australia	Iceland	New Zealand	EU	Japan	Canada	USA	Norway	Total
Fast-start finance commitment (hundred millions)	1.355	0.02092	6.03	0.01	0.698	63.9	96	10.16	51	7.1	236.27
GDP (hundreds of millions of US$)	635.65	4.826	1371.764	14.059	142.477	17552.216	5867.154	1736.051	15094	485.803	42904
% of total GDP of donors	1.48%	0.01%	3.20%	0.03%	0.33%	40.91%	13.68%	4.05%	35.18%	1.13%	100.00%
% of total $30 billion fast-start finance commitment	0%	0%	2%	0%	0%	21%	32%	3%	17%	2%	79%
Fair share commitment (capability)	4.44	0.03	9.6	0.09	0.99	122.73	41.04	12.15	105.54	3.39	300
Fair share score (capability)	31%	70%	63%	11%	71%	52%	234%	84%	48%	209%	
Responsibility	**Switzerland**	**Liechtenstein**	**Australia**	**Iceland**	**New Zealand**	**EU**	**Japan**	**Canada**	**USA**	**Norway**	**Total**
Fast-start finance commitment (hundred millions)	1.355	0.02092	6.03	0.01	0.698	63.9	96	10.16	51	7.1	236.27
Cumulative emissions (MT CO_2 1960–2008)	1883.5		11628.95	88.22	1088.78	189005.11	45772.04	20009.12	227278.14	1521.56	498275.42
Responsibility II (cumulative 1960–2008)	0.38%	0.01%	2.33%	0.02%	0.22%	37.93%	9.19%	4.02%	45.61%	0.31%	100.01%
% of total $30 billion fast-start finance commitment	0%	0%	2%	0%	0%	21%	32%	3%	17%	2%	79%
Fair share commitment (responsibility)	1.13	0.03	7.00	0.05	0.66	113.80	27.56	12.05	136.84	0.92	300.03
Fair share score (responsibility)	119%	70%	86%	19%	106%	56%	348%	84%	37%	775%	
Aggregate score	**Switzerland**	**Liechtenstein**	**Australia**	**Iceland**	**New Zealand**	**EU**	**Japan**	**Canada**	**USA**	**Norway**	
Fair share	75%	70%	74%	15%	88%	54%	291%	84%	43%	492%	79%

This online-only addition to the briefing gives full details of the fair share figures summarised in Table 1.

Fast-start finance transparency scorecard

	Switzerland	Liechtenstein	Australia	Iceland	New Zealand	EU	Japan	Canada	USA	Norway
Overall rank in 2012	**1**	**2**	**3**	**4**	**5**	**5**	**7**	**8**	**9**	**10**
Total score in 2012 (% of all 24 categories)	**67**	**52**	**50**	**44**	**40**	**40**	**38**	**35**	**29**	**0**
Overall rank in 2011	5	7	4	7	10	3	2	7	5	1
Total score in 2011	32	30	34	30	26	48	50	30	32	52
Reporting of summary information	**75%**	**40%**	**80%**	**45%**	**50%**	**60%**	**55%**	**55%**	**40%**	**0%**
Filed report by May 31	1	1	1	0	1	1	1	1	1	0
Total committed 2010–2012	1	1	1	1	1	1	1	1	1	0
Total disbursed to date	1	0	1	1	0	0	0.5	1	0	0
Summary information about channels (particular bilateral, multilateral)	1	1	1	0.5	0	1	0.5	0	1	0
Proportion as loans and grants	1	1	1	1	1	1	0.5	1	0	0
Proportion or amount to LDCs, SIDS and Africa	0	0	0.5	0	0	0	1	0	0	0
Proportion to global regions	1	0	0.5	0	1	0	0	1	0	0
Proportion to adaptation and mitigation	1	0	1	0.5	1	1	0.5	0	0.5	0
Annual historical climate funding	0	0	0	0	0	0	0	0	0	0
Accessible organisation of data	0.5	0	1	0.5	0	1	0.5	0.5	0.5	0
Baselines, 'fair share', and allocation criteria defined	**67%**	**67%**	**67%**	**17%**	**33%**	**0%**	**17%**	**50%**	**17%**	**0%**
Clarity of baseline definition	1	1	1	0.5	0	0	0	1	0	0
Indication of how 'fair share' is calculated	0.5	0.5	0	0	0	0	0	0	0	0
Clear allocation rationale	0.5	0.5	1	0	1	0	0.5	0.5	0.5	0
Project level data	**59%**	**59%**	**18%**	**50%**	**32%**	**32%**	**27%**	**14%**	**23%**	**0%**
All project are reported	1	1	0	1	0.5	0	0	0	0	0
Amount committed to projects listed	1	1	0.5	1	0.5	0.5	0.5	0.5	0.5	0
Amount actually disbursed (status)	1	0	0	1	0.5	0	0	0	0	0
Start date/commitment of project	0	0.5	0	0	0	0.5	0.5	0	0	0
Description of the project listed	0	0.5	0	0	0.5	0.5	0	0	0.5	0
Grant/loan	1	1	0.5	1	0.5	0.5	0.5	0	0.5	0
Implementing agencies	0	1	0.5	1	0	0.5	0.5	0.5	0.5	0
Accessible database (PDF, searchable)	0.5	0.5	0	0	0.5	0.5	0.5	0.5	0	0
Adaptation or mitigation	1	1	0	0.5	0.5	0.5	0.5	0	0	0
Georeferenced location	0.5	0	0.5	0	0	0	0	0	0	0
Links to full project documents	0.5	0	0	0	0	0	0	0	0.5	0
Total count (of 24)	**16**	**12.5**	**12**	**10.5**	**9.5**	**9.5**	**9**	**8.5**	**7**	**0**

This online-only addition to the briefing gives full details of the transparency scorecard summarised in Table 2.