SDG 13

Climate finance support to developing countries imperative for ambitious climate action

BY INDRAJIT BOSE, THIRD WORLD NETWORK (TWN)

Climate change is increasingly making its impact felt worldwide. Everyone is suffering, but the poor in the developing world is bearing the brunt of the impacts. It is not fair that those who did not contribute to the problem of climate change are suffering the most, and sometimes even paying with their lives. The developed world, historically responsible for causing climate change must own responsibility and fulfil longstanding commitments to reduce emissions and provide developing countries the means – finance, technology, capacity building – to deal with climate change.

Under the Paris Agreement on climate change countries agreed to climate action via nationally determined contributions (NDCs). Developed countries have been mandated to help developing countries with the means to achieve their climate goals. However, they have reneged on their commitments time and again. This cannot continue.

The Green Climate Fund is going through its first formal replenishment in 2019, after which a needs assessment of developing countries and a new collective goal on finance is to be agreed. Calls for ambitious goals must be accompanied by calls for ambitious support to developing countries who are facing overriding social and environmental challenges. While climate action is urgent, support to developing countries for such action is even more urgent.

Cyclone Idai, which devastated Mozambique, Zimbabwe and Malawi in March 2019, is yet another reminder of the catastrophic impacts of climate change. Lives lost, infrastructure destroyed and survivors grappling with the trail of destruction left behind by the cyclone in camps and shelters – a disturbing pattern following such events.

Climate-induced events – heatwaves and drought, tropical storms, floods, extreme rainfall, cold and snow, wildfires – appear to have become the norm. Twenty of the warmest years on record have occurred in the past 22 years, with the top four in the past four years.[1] Extreme weather events and slow-onset events like sea-level rise and glacial retreat threaten ecosystems – together, these have ravaged people's lives and livelihoods. All this is happening as the global average temperature has increased just 1 °C above pre-industrial levels due to human activities.

The future looks very bleak.

According to the 2018 Special Report on 1.5 °C (SR15) by the Intergovernmental Panel on Climate Change (IPCC): "Warming from anthropogenic emissions

1 World Meteorological Organization (2019).

from the pre-industrial period to the present will persist for centuries to millennia and will continue to cause further long-term changes in the climate system, such as sea level rise, with associated impacts."[2] It adds:

> … temperature extremes on land are projected to warm up more than GMST [global mean surface temperature] … extreme hot days in mid-latitudes warm by up to about 3 °C at global warming of 1.5 °C and about 4 °C at 2 °C, and extreme cold nights in high latitudes warm by up to about 4.5 °C at 1.5 °C and about 6 °C at 2 °C … The number of hot days is projected to increase in most land regions, with highest increases in the tropics …[3]

The Fifth Assessment Report by the IPCC, released in 2014, noted that major future impacts are expected on water availability and supply, food security and agriculture; poverty reduction will become even more difficult; and new poverty traps will be created.[4]

The future these reports warn about is not very distant. According to SR15, global warming is likely to reach 1.5 °C between 2030 and 2052 if it continues to increase at the current rate.[5]

Who is responsible?

The scientific community has established that the bulk of the temperature increase is due to historical emissions of developed countries who have attained their current levels of development through carbon-intensive growth since the pre-industrial period. And yet, the poor – especially in the developing world are paying with losses, and their lives, for something that they have not caused and contributed to.

To prevent catastrophic climate change, the world signed on to the United Nations Framework Convention on Climate Change (UNFCCC) in 1992. This recognized that equity should be the bedrock of climate action, and that developed countries must take the lead in reducing greenhouse gas emissions and help developing countries with finance, technology transfer and capacity building so that they do not follow the carbon-intensive model of the developed world. However, the gap in the means of implementation needed to achieve sustainable, low-carbon development has not been filled. Regarding subsequent agreements under the Convention – Kyoto Protocol in 1997 and Paris Agreement in 2015 – several developed countries reneged on their Kyoto commitments and some have pulled out entirely.

As far as the Paris Agreement is concerned, the world at present awaits its implementation, the rules of which were finalized in December 2018, even as the USA announced its intention to withdraw from the agreement and not fulfil its finance pledges. Under the Paris Agreement, countries have submitted their action plans for climate change, called Nationally Determined Contributions (NDCs). Finance continues to remain among the biggest needs and gaps in the fulfilment of the NDCs.

Growing needs and unmet commitments

The needs of developing countries to reduce emissions, adapt to the drastic changes are ever increasing. Add to that the burden of loss and damage, the permanent damage from events such as Cyclone Idai.

Although estimates vary, they all point to growing costs to meet the climate burden. According to one study, adaptation costs could reach US$ 140-300 billion a year by 2025-2030 and by 2050, climate change costs could exceed USD 1 trillion a year, even if global average temperature is contained to below 2 °C.[6] According to SR15, more than US$ 2.38 trillion would need to be invested annually in mitigation to stay well below 2 °C.[7]

2 IPCC (2018), p. 7.
3 Ibid, p. 9.
4 IPCC (2014).
5 IPCC (2018).
6 Climate Change Finance Unit, Department of Economic Affairs, Ministry of Finance, Government of India (2018).
7 IPCC (2018).

Just the finance needs of developing countries in the NDCs amount to about US$ 4 trillion.[8] Of the NDCs presented, 86 percent of developing countries referred to the need for international support to fulfil their NDCs.[9]

In 2010, developed countries had committed to jointly mobilizing US$ 100 billion a year by 2020 from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance, to address the needs of developing countries. Developing countries stressed the need for new and additional financing. As a result, the Green Climate Fund (GCF) was established in 2010 and launched in 2011.

While the goal itself was meagre, its fulfilment are more meagre still. Consider the following: finance flow figures from developed to developing countries as reported in the official communication to the UNFCCC were US$ 33 billion in 2015 and US$ 38 billion in 2016.[10] Further, the USA had pledged US$ 3 billion to the GCF, but provided only US$ 1 billion.[11] In relation to the Global Environment Facility's (GEF) seventh replenishment, of the US$ 4.1 billion pledged, only US$ 3.3 billion is actually new funding, and the amount saw an aggregate 37 percent decrease compared to GEF's sixth replenishment.[12]

Clearly, as developing countries continue to be increasingly impacted by climate change, the gaps in resources needed urgently to address climate change widen.

Hope in the GCF?

When it was established, the GCF was intended to be the main fund for global climate change finance.[13] Governments agreed to set it up "as an operating entity of the financial mechanism of the Convention under Article 11, with arrangements to be concluded between the Conference of the Parties and the Green Climate Fund to ensure that it is accountable to and functions under the guidance of the Conference of the Parties".[14]

According to the GCF's governing instrument the purpose of the Fund is to "make a significant and ambitious contribution" to the global efforts in combating climate change. As part of its objectives and guiding principles, the governing instrument states that:

> In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.[15]

The Fund will seek a balance between funding for adaptation and mitigation, "while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach".[16] In allocating adaptation resources, the GCF Board decided that there would be a floor of 50 percent of the adaptation allocation for particularly vulnerable countries, including Least Developed Countries (LDCs), Small Island Developing States (SIDS) and African States. With developed countries favouring mitigation (arguing that adaptation is a national responsibility), this allocation was a major achievement.

For mitigation, the GCF provides resources to reduce emissions from energy generation and access; transport; building, cities, industries and appliances; and forests and land use. For adaptation, resources are provided to increase the resilience of health, food and water security; the livelihoods of people and communities; ecosystems and ecosystem services; and

8 Climate Change Finance Unit, Department of Economic Affairs, Ministry of Finance, Government of India (2018).
9 Green Climate Fund (2019).
10 UNFCCC (2018).
11 Singh/Bose (2018).
12 Bomzan(2018).
13 Singh/Bose (2018).
14 UNFCCC Decision 1/CP.16, para. 102.
15 Green Climate Fund (2011), p. 2.
16 Ibid.

infrastructure and the built environment. Funding proposals are assessed against their impact potential; paradigm shift potential; sustainable development potential; needs of the recipient; country ownership; and efficiency and effectiveness.

The GCF also has a Readiness Support Programme, which provides up to US$ 3 million per country for the formulation of National Adaptation Plans (NAPs) and/or other adaptation planning processes.

The GCF's initial resource mobilization period lasted from 2015 to 2018, during which it received US$ 10.3 billion in pledges. Of this, US$ 10.2 billion was signed in the form of *contribution agreements* between the governments and the GCF. However, this does not mean that the GCF realized the US$ 10.2 billion. The US contribution agreement merely expresses an intention to pay US$ 3 billion. The USA paid US$ 1 billion to the GCF and is not likely to contribute more, given the announcement by US President Donald Trump that his country would pull out of the Paris Agreement and would not put any more resources into the GCF. This put in jeopardy the realization of the US$ 10.2 billion of signed contributions.[17]

Then there are exchange rate fluctuations that further shrink the fund – to the tune of nearly US$ 1 billion. According to the GCF Secretariat, as of July 2018, the initial resource mobilization period would yield only US$ 7.2 billion by the end of the year as opposed to the US$ 10.2 billion in signed contributions.

In the four years of funding operations, as of March 2019, 102 projects and programmes have been approved, committing US$ 5 billion of GCF resources for climate action in 97 developing countries.[18] These are expected to benefit 276 million people and reduce 1.5 billion tonnes of CO_2 equivalent. Of the projects approved, 40 projects with US$ 1.8 billion in GCF funding are being implemented at present.[19] These range from delivering stronger climate information services and early warning systems to clean energy, resilient water supplies, climate-resilient farming and access to finance for climate-directed businesses.

In relation to readiness activities, the Fund has also approved over US$ 147 million in 121 countries, striving to build national capacities to access and programme climate finance. This includes work to build the capabilities of direct access entities and support for national adaptation planning and project preparation.[20]

With the initial resource mobilization completed, 2019 is a crucial year for the Fund, especially since the first formal replenishment process is under way. Clearly there is considerable interest from developing countries. Currently, there is a "USD 15 billion pipeline of funding proposals and concept notes, and a further USD 20 billion plus in project ideas emerging from developing countries' and entities' work programming".[21]

The big question is how much money the Fund will receive as part of its first formal replenishment.

North-South divide at the GCF

The process leading up to the replenishment has been marred by several controversies. During the initial discussions on the issue, developing countries insisted, rightly so, that needs of developing countries should be taken into account in the replenishment process. They underscored that the GCF is the financial arm of the Convention and its Paris Agreement and reiterated that developing countries' contributions under the Paris Agreement were conditional upon predictable financing. Developed countries, however, said that any replenishment amount would be a political decision and would be the sovereign decision of a country's Parliament.[22]

17 Singh/Bose (2018).
18 See www.greenclimate.fund/news/green-climate-fund-board-meeting-sets-stage-for-successful-replenishment-allocates-usd-440-million-for-climate-action-strengthens-governance-and-selec.
19 Green Climate Fund (2019).
20 Ibid.
21 Ibid, p. 3.
22 TWN Info Service on Climate Change (Mar18/01), 5 March 2018 (www.twn.my/title2/climate/info.service/2018/cc180301.htm).

Developed countries on the other hand wanted to condition the replenishment process subject to the fulfilment of certain policies such as co-financing and decision-making in the absence of consensus.[23] Co-financing refers to developing countries having to find other sources of financing for a project before coming to the GCF, which could pose a burden on developing countries if made mandatory. On decision-making in the absence of consensus, developed countries, in the past, wanted to link voting to their contributions that they put into the Fund, a practice in the World Bank and the IMF, which developing countries were not comfortable with.

After protracted discussions through 2018, the Board agreed on a process, which is set to conclude by October 2019 with a pledging session. Reflecting on the discussions and the attitude of some of the developed country Board members, a developing country negotiator told Third World Network along the margins of one of the Board meetings: “It appears that the colonial mentality is hard to give up. Some of the developed countries are simply uncomfortable with the fact that we (developing countries) have equal say in the decisions of the Fund, and that our arguments are full of substance.” (The GCF comprises a Board with 24 members, composed of an equal number of members from developing and developed country Parties).

Demand for climate justice

It is important to remember the context in which the discussions are happening. Developing countries and its peoples inherited the climate injustice. It is time developed countries fulfilled their obligations on climate finance so that climate justice for developing countries and the future generations is delivered. Civil society organisations have also rallied around the demand of climate justice and actively engage with the UNFCCC and GCF processes, calling for equity and ambition of climate actions.[24]

Besides finance, there is a critical need in developing countries for capacity to implement low-emissions and climate resilient projects and programmes. This needs to be recognized.

The IPCC has established that:

> sustainable development supports, and often enables, the fundamental societal and systems transitions and transformations that help limit global warming to 1.5°C. Such changes facilitate the pursuit of climate-resilient development pathways that achieve ambitious mitigation and adaptation in conjunction with poverty eradication and efforts to reduce inequalities.[25]

Such transitions and transformations must be enabled through support and international cooperation based on common but differentiated responsibilities and equity.

Under the Paris Agreement, countries agreed that a new collective quantified finance goal would be decided before 2025 that would take into account needs of developing countries. A needs determination process is also under way in the UNFCCC. Summits are planned to focus on increasing ambition by countries. It is crucial to remember that increased ambition by developing countries is dependent on increased support from the developed world, a key UNFCCC undertaking. Financial support can be channelled through institutions such as the GCF, which hold promise for developing countries to enable transformation to happen. This is urgent. The planet and its peoples are fast running out of time.

23 TWN Info Service on Climate Change (Jul18/02), 9 July 2018 (https://www.twn.my/title2/climate/info.service/2018/cc180702.htm).

24 See CSO Equity Review (2018), (2017), (2016), and (2015).

25 IPCC (2018), p. 24.

References

Bomzan, Prerna (2018): Call for balanced and comparable progress on all elements of the Paris Work Programme (TWN Bonn News Updates 2). https://twnetwork.org/climate-change/call-balanced-and-comparable-progress-all-elements-paris-work-programme

Climate Change Finance Unit, Department of Economic Affairs, Ministry of Finance, Government of India (2018): 3 Essential "S"s of Climate Finance – Scope, Scale and Speed: A Reflection. New Delhi. http://ies.gov.in/pdfs/final-print.pdf

CSO Equity Review (2018): After Paris: Inequality, Fair Shares, and the Climate Emergency. Manila/London/Cape Town/Washington et al.: CSO Equity Review Coalition.
www.civilsocietyreview.org/report2018

CSO Equity Review (2017): Equity and the Ambition Ratchet: Towards a Meaningful 2018 Facilitative Dialogue. Manila/London/Cape Town/Washington et al.: CSO Equity Review Coalition.
www.civilsocietyreview.org/report2017

CSO Equity Review (2016): Setting the Path Towards 1.5°C: A Civil Society Equity Review of Pre-2020 Ambition. Manila/London/Cape Town/Washington et al.: CSO Equity Review Coalition.
www.civilsocietyreview.org/report2016

CSO Equity Review (2015): Fair Shares: A Civil Society Equity Review of INDCs. Manila/London/Cape Town/Washington et al.: CSO Equity Review Coalition.
www.civilsocietyreview.org/report

Green Climate Fund (2019): Strategic Programming for the Green Climate Fund First Replenishment. Songdo (GCF/B.22/Inf.12).
www.greenclimate.fund/documents/20182/1424894/GCF_B.22_Inf.12_-_Strategic_Programming_for_the_Green_Climate_Fund_First_Replenishment.pdf/9933d93d-2673-022c-8c1b-cd5213973674

Green Climate Fund (2011): Governing Instrument for the Green Climate Fund. Songdo.
www.greenclimate.fund/documents/20182/1246728/Governing_Instrument.pdf/caa6ce45-cd54-4ab0-9e37-fb637a9c6235

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. Summary for Policymakers.
www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_version_stand_alone_LR.pdf

IPCC (2014): Climate Change 2014: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge/New York: Cambridge University Press.
www.ipcc.ch/report/ar5/wg2/

Singh, Harjeet/Bose, Indrajit (2018): History and Politics of Climate Change Adaptation at the United Nations Framework Convention on Climate Change. Geneva: South Centre (Research Paper 89).
www.southcentre.int/wp-content/uploads/2018/11/RP89_History-and-Politics-of-Climate-Change-Adaptation-at-the-UNFCCC_EN.pdf

UNFCCC (2018): Summary and recommendations by the Standing Committee on Finance on the 2018 Biennial Assessment and Overview of Climate Finance Flows. Bonn.
https://unfccc.int/sites/default/files/resource/51904%20-%20UNFCCC%20BA%202018%20-%20Summary%20Final.pdf

World Meteorological Organization (2019): WMO Statement on the State of the Global Climate in 2018. Geneva.
https://library.wmo.int/doc_num.php?explnum_id=5789

Indrajit Bose works with Third World Network as Senior Research Officer, Climate Change.