Civil society voices for BetterAid

BetterAid Statement: Climate Finance: towards effectiveness
November 2011

This statement has been endorsed by the BetterAid Coordinating Group. The statement is a view of the BetterAid platform and not necessarily of individual members.

BetterAid unites over 1700 development organizations from civil society worldwide, and has been working on development cooperation and challenging the aid effectiveness agenda since January 2007. BetterAid is leading many of the civil society activities including in-country consultations, studies and monitoring, in the lead up to the Fourth High Level Forum on Aid Effectiveness (HLF4) in Busan in November/December 2011. ***www.betteraid.org***

Urgent action need to be taken to respond to the impacts and causes of climate change. Globally, academics, civil society organizations (CSOs) and politicians agree widely that governments must act to ensure and assist climate change mitigation and adaptation actions. Public climate finance is needed to make this happen in effective, efficient and adequate ways in developing countries. Such financing, similar to development finance, contains the basic objective of transferring large quantities of financial resources across international borders.[1] Aside from pure financial considerations the challenges found in Official Development Assistance (ODA) closely relate to mitigation and adaptation mechanisms.

Recognizing this integral connection to development, the Organization for Economic Co-operation and Development (OECD) has taken more concrete steps in recent years to incorporate climate change processes within the wider development spectrum. Linking these processes to the upcoming Fourth High Level Forum (HLF4) in Busan presents the latest of such developments. On this, the OECD notes the need for “the climate community and the development community … to sit around the same table to discuss climate financing to enhance mutual learning and trust” and that “the lessons (successes and failures) from the last 50 years of development experience be applied to climate change financing modalities at the national and international level.”[2]

Considering the magnitude of today’s challenges, climate change adaptation and mitigation activities need to be framed within the wider context of development to be effective. After more than 50 years of development, it is clear that monetary transfers of funds from North to South, conditionality and aid programs have failed to bring about economic and social progress to the majority of the world’s population. Indeed, lessons need to be learned to make development, but also climate finance, effective.

Proposing Effective Change

Volume

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[1] Groff, Stephen (2011), ‘Climate Finance-Lessons from Aid Effectiveness’, available from http://oecdinsights.org/2011/08/16/climate-finance-%E2%80%93-lessons-from-aid-effectiveness/ accessed 09/28/2011
[2] OECD (2011), ‘Realizing the Potential: Climate Change finance and development Effectiveness Workshop (6 July 2011)’, available from www.oecd.org/dataoecd/12/33/48505347.pdf accessed 09/28/2011

Estimates on the volume needed for productive climate finance vary considerably. The United Nations Framework Convention on Climate Change (UNFCCC) put the needs of the global adaption fund at US$ 170 billion per year by 2030, but later analyses claimed the figure was probably under-estimated.[3] Some estimate the costs of total adaptation and mitigation between US$ 250 to US$ 380 billion per year by 2030.[4]

BetterAid (BA) supports the framework of climate justice that holds the industrialized North as mainly responsible for human-induced climate change. Correcting this historical climate injustice necessarily entails large-scale funding from the global North to finance climate action, especially adaptation, which the global South needs most urgently. This climate finance needs to be adequate and predictable and scaled up yearly to compensate for the increased pressure of developing nations to adapt to the impacts of climate change. The volume of climate finance should be sufficient to meet the costs of adaptation to reduce the vulnerability of those who have contributed the least to climate change, but stand to suffer the most from its impacts. This finance should be delivered in the form of grants and highly concessional loans like development aid, but ultimately over and above traditional ODA. The volume of climate finance should also be sufficient to address the costs of mitigation and promote the transition to a green economy so as to reduce global emissions to keep within a 2°C rise in global temperature.

Source

Sources of climate finance may be grouped into four types: (a) public sources for grants and highly concessional loans; (b) MDB-type instruments; (c) carbon market finance; and (d) private capital. At the 16th UN led annual Conference of Parties (COP16) in Cancun in 2010, parties left unresolved the contentious and highly political issue of how to strike a balance between public and private finance. This issue is also reshaping other issues of fund mobilization raised earlier, such as allowing climate finance to be counted as direct ODA commitments.

BA asserts that climate finance should primarily come from public sourcing and private flows only supplementary, as private sector approaches risk that Northern industries buy their right to pollute.

Disbursement – a country led approach

Also unresolved are issues on the disbursement of climate finance. While the negotiations at COP 16 seem to favor direct access to the GCF, governed and guided by the COP, other modalities are being considered on the road to Durban (COP17) at the end of 2011. A global fund such as the GCF should enhance country ownership and minimize transaction costs as long as its governance is based on democratic ownership and the distribution of funds depend on countries' needs rather than donors' strategic goals. In order to make the GCF an effective tool for disbursement of climate finance, the UNFCCC and COP must exercise not just general guidance but full authority over the GCF and adequate transparency, accountability and integrity in all its operations including a periodic independent evaluation of its performance and subsequent review of its operations based on this evaluation

At the local level, each country must independently develop its own strategies, policies, programs and budgets for climate adaption and on that basis determine the role and modalities of climate finance. Ownership of climate action must not simply mean ownership

[3] Parry et. al., (2009), 'Assessing the costs of adaptation to climate change: A review of the UNFCCC and other recent estimates', International Institute for Environment and Development and Grantham Institute for Climate Change, London

[4] IBON International (2011), 'Aid effectiveness of Climate Change Financing', Busan Issue Paper No. 2, 06 September 2011, Manila

by the national government, but must be inclusive and democratic to be effective. Closely linked to country ownership is the principle of alignment, which means that external support must be in line with each country's climate policies and institutional systems and processes, instead of replacing or negating them.

Finally, a country recipient of climate finance must manage this resource wisely to maximize the intended outcomes towards attaining country-wide climate resiliency. Both donor country (or fund manager, in the case of future GCF funding windows) and recipient country are accountable for climate action results, must be transparent in the delivery and use of the funds, and must observe reciprocal commitments as mutually agreed. "Results" must represent substantial and lasting gains, and not targets imposed as conditionalities.

Climate Change Architecture and Governance

Cancun presented a positive step on climate finance architecture, allowing a strengthened voice of developing countries. At the same time COP16 confirmed the role of the World Bank (WB) as an interim trustee, a proposition that is highly disputed amongst CSOs following the poor track record of the WB in promoting development results and its lack of legitimacy as development actor. The World Bank's assigned role as interim Trustee must at the very least be restricted and phased out, and the selection process for the next Trustee must be fair and transparent.

Enabling an effective environment for global governance of climate change finance and action means building democratic and inclusive institutions in which developing countries are proportionally represented with guaranteed space for CSOs. Such new climate finance architecture must be based on reformed, inclusive and representative governance at the UNFCC, COP and GCF levels.

As mentioned earlier, climate action and climate finance should be coherent with the overall sustainable development strategy and policy of countries. Seen from a broader, global picture, coherence also must exist throughout all broad policies on climate finance, ensuring their adherence to environmental sustainability, human rights, decent work, gender equality, trade, investment promotion, and debt.

Fostering Effectiveness

To be effective, combating climate change needs to be framed within the broader spectrum of development as it is the South where impacts of climate change are most felt. Mitigation and adaptation programs must be within the broader development effort based on sustainability, ecological balance, social equity and human rights. However, while linking climate change action with development is necessary, it constitutes only a first step. Climate change adaptation, mitigation and its finance mechanisms too must become effective from within.

BA sees it indispensible that climate change finance benefits from the development effectiveness principles of democratic ownership and a rights-based approach that ensures it is people-centered, giving voice to the poorest and most marginalized in society.

Climate Justice

Climate finance effectiveness therefore goes hand in hand with climate justice, as it pursues climate action based on respect, promotion and defense of human rights especially of those most vulnerable to the climate crisis. When we take into account those most vulnerable to climate change, there is need to use easy to understand language that touches the hearts of citizens to act for climate justice. Climate justice also means mobilizing all the norms, standards, legal instruments, procedures and systems now available and accepted at the international, regional and national level in order to protect and uphold the rights of countries, communities and groups including the youth that are adversely affected by climate change, and to ensure that decisions on climate finance that affect them are participatory, transparent, and accountable.

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