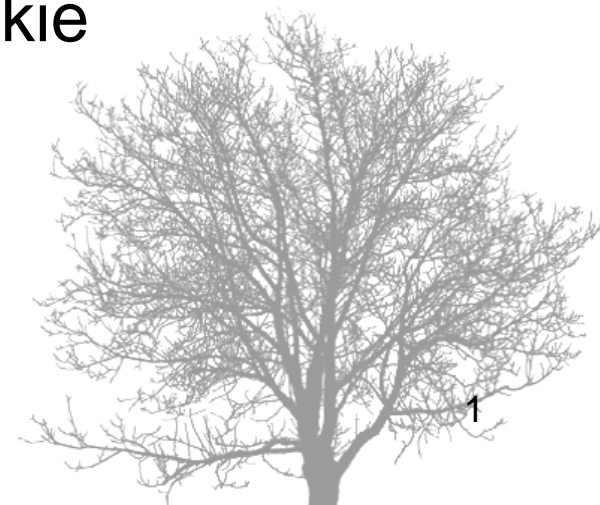




ClimDev-Africa

# Lessons from 'fast start' finance

Yacob Mulugetta, Matthew Stilwell, Youba Sokona,  
Mulugeta Ayalew, Bruk Tekie



# Outline

- Context
- Evaluating 'fast start' finance
- Recommendations



# Context

- The IPCC predicts that by 2020, some regions in Africa could see crop yields from rain-fed agriculture decline by as much as 50%, and some 75-250 million people could be affected by water shortage.
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- The World Bank has estimated the costs for adaptation to climate change in Africa will amount to close to \$18 billion (at 2005 prices).
- In addition, the costs of putting Africa on a low-carbon growth path could reach \$22-30 billion per year by 2015 and \$52-68 billion per year by 2030.



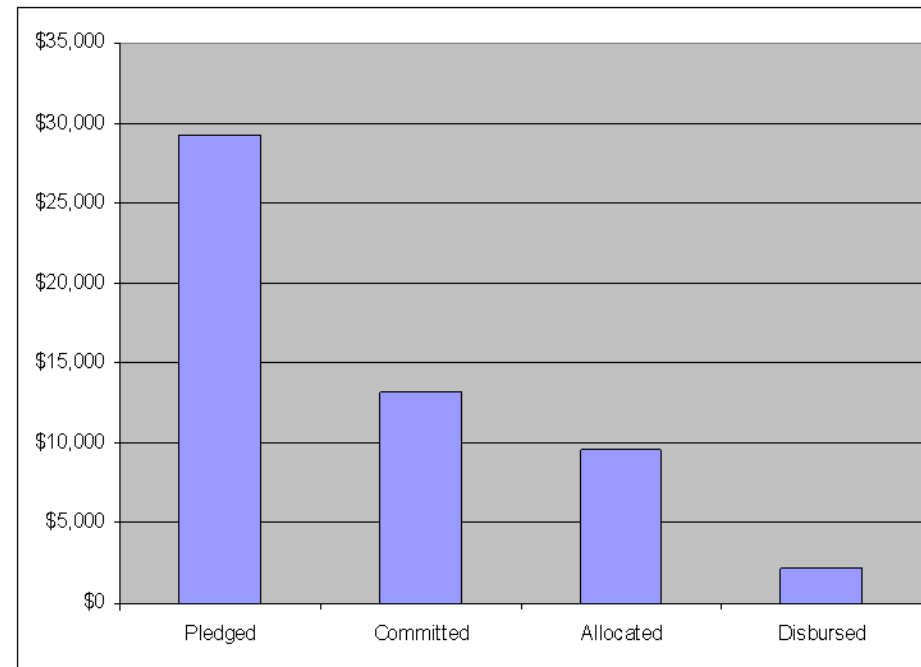
# What was agreed?

- The need to enhance action on the provision of financial resources was recognized by all Parties in 2007 Bali Action Plan, leading to discussions about short-term finance for the period 2010-2012
- The Parties took note in Cancún:  
... *collective commitment by developed countries to provide **new and additional** resources, including forestry and investments through international institutions, approaching **USD 30 billion** for the period 2010–2012, with a balanced allocation between **adaptation and mitigation**; **funding for adaptation** will be **prioritised for the most vulnerable** developing countries, such as the least developed countries, small island developing States and **Africa** (paragraph 95, decision 1/CP.16)*



# What Finance made available?

- Based on publicly available data and information, current pledges of fast-start finance to developing countries for 2010-2012 has been announced as amounting to \$29.2 billion
- 45% has been 'committed', 33% 'allocated' and only about 7% has been 'disbursed' for activities in fast-start finance



# New and additional?

- ‘New’ money to mean fast-start finance had not been pledged or planned before Copenhagen when the pledge was made
- Between \$3.7bn and \$6.4bn is ‘new’ (out of the \$29.2bn pledged)
- ‘Additional’ refers to financial resources raised for climate change should come in addition to funding developed countries provide towards progress in meeting their development aid commitments
- Figures up to early September 2011 indicate that less than \$3bn are “additional”



# New and additional?

- “Failure to reach agreement on the principle of additional finance could mean that money will be diverted away from the world's poorest people, while the gains we have made towards the Millennium Development Goals could be reversed”

– Douglas Alexander (2010)



# Transparency and accountability

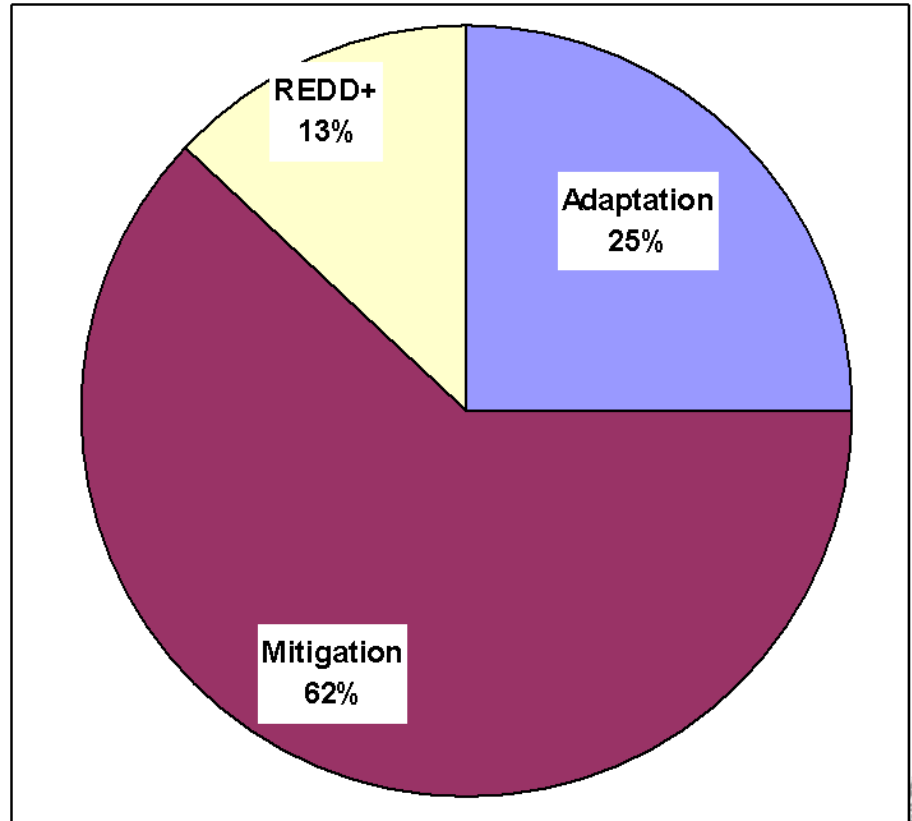
- The fulfilment of the fast start finance pledges is very difficult to assess given the lack of reliable and objectively verifiable data
- Also, countries use very different benchmarks and baselines to fulfil their pledges





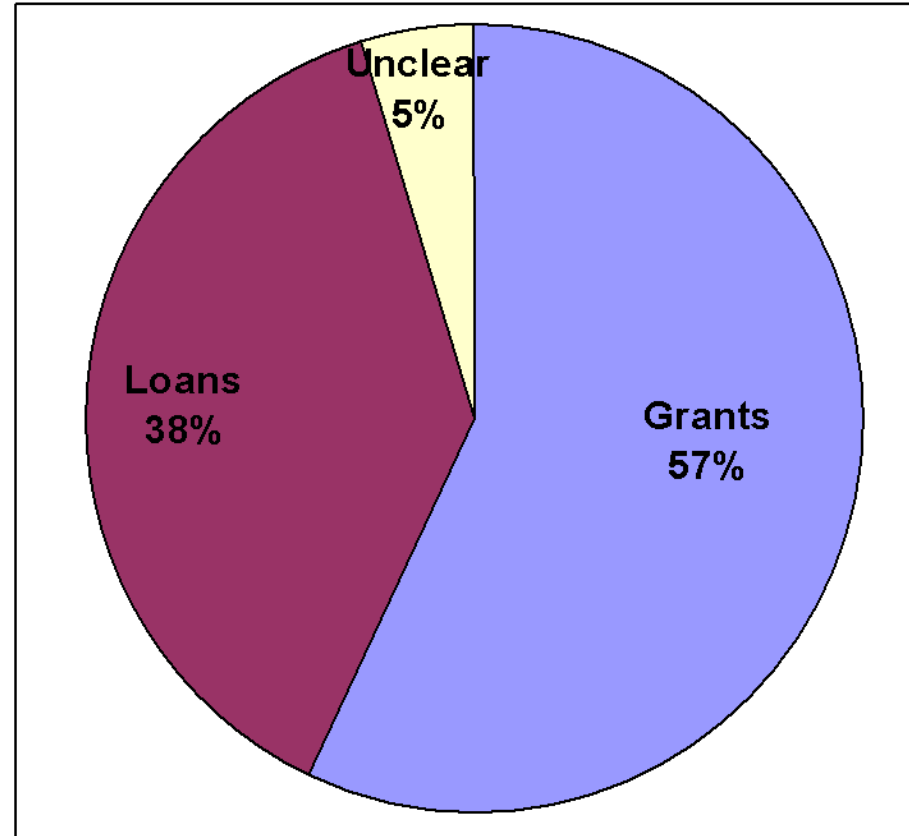
# Balance between adaptation and mitigation

- Experience with fast-start finance shows a great imbalance of mitigation over adaptation
- So far less than a quarter of the total ~ \$30bn has been earmarked for adaptation



# Role of public and other sources

- No clarity what proportion of their \$100 billion promise is to be met through public finance and what proportion will come through private finance
- Experience suggests that the reliability and predictability of climate finance may remain very low if the future climate finance architecture relies on pledges
- AGF - grants and highly concessional loans are crucial in the most vulnerable countries pledges



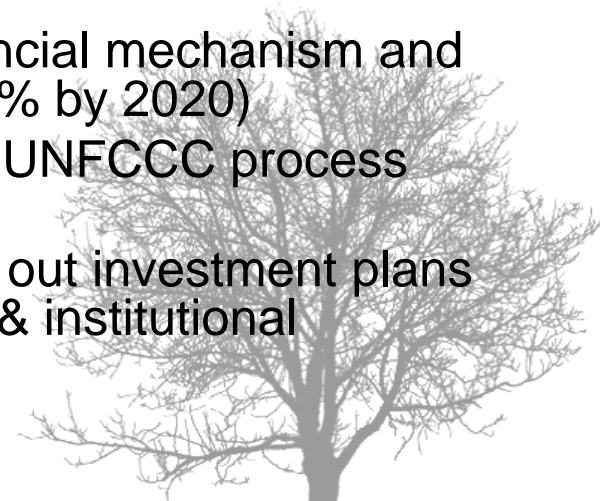
# Role of UNFCCC financing mechanism

- Over 2010-2011, just below \$700m has gone into UNFCCC funds, i.e. the AF, the Special Climate Change Fund (SCCF), the Least Developed Country Fund (LDCF) and the GEF
- Over \$6.4bn has been pledged to be managed by the WB's Climate Investment Funds (CIF)
- Mitigation financing dominate the activities of multilateral funds, and further disadvantage countries that require adaptation funds



# Recommendations

- Any future pledges (e.g. from 2013 onwards) should have a clear definition of **new** that includes the criterion that finance pledged must not have been pledged or planned before the moment when the pledge is made
- Need for an agreement that climate finance will be **truly additional**, i.e. in addition to ODA promises
- Need for an agreement on **clear and transparent guidelines** and criteria what climate-related finance developed countries can report towards meeting their UNFCCC finance-related obligations
- A commitment to ensure that 50% of the climate finance provided should be used for **adaptation**
- Clarification on what proportion of the \$100bn promise will come from public finance and private finance
- Commitment to increasingly use the UNFCCC financial mechanism and its operating entities to channel climate finance (50% by 2020)
- Fast-start finance is key for **rebuilding trust** in the UNFCCC process through 'learning-by-doing'
- There are demand-side responsibilities too: setting out investment plans and priorities to absorb resources, building human & institutional capacity, etc



Thank you

Yacob Mulugetta  
YMulugetta@uneca.org

