

ODA diversion to climate mitigation - a global public good

Possible solutions

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Methodology

- Search academic papers on ODA, climate finance and global public goods.
- Grey literature on ODA and climate finance including OECD DAC statistics
- UNFCCC reporting submitted by Parties
 - `Biennial Reports and National Communications
- Government statements and publications
- Reports on UNFCCC meetings including IISD

Are two targets being met with the same money?

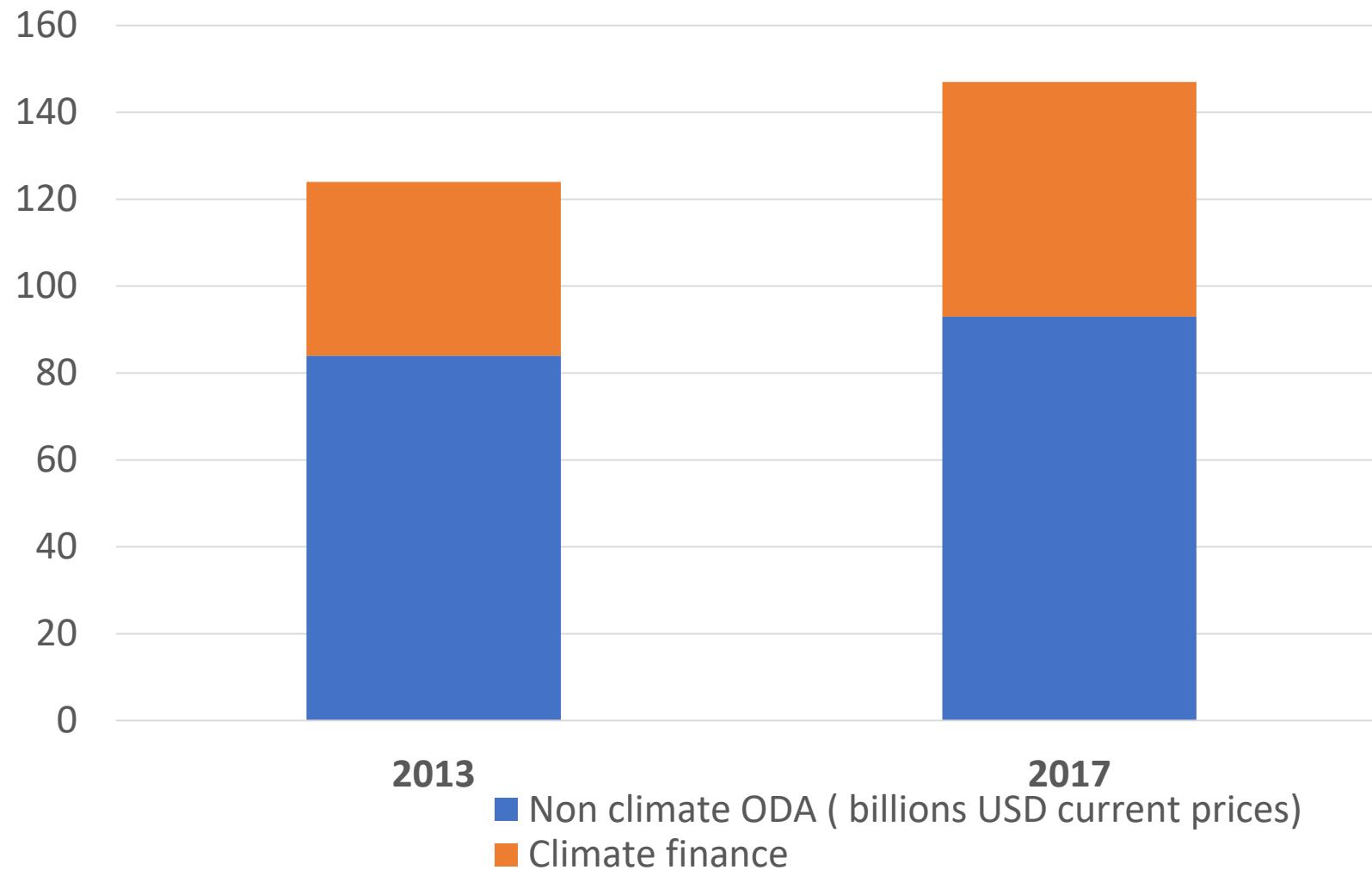
- The USD 100 billion climate finance by 2020 to 2025 from developed to developing countries (Paris Agreement and, 2030 Agenda for Sustainable Development)
- 0.7% of GNI to ODA by developed countries (2030 Agenda for Sustainable Development)

Is ODA being diverted into climate finance?

“At the COP21 Climate Change talks Prime Minister Malcolm Turnbull pledged A\$1 billion over the next five years, to be drawn from ‘our existing aid program’.”

(The Lowy institute)

Significance of climate finance in ODA (OECD)



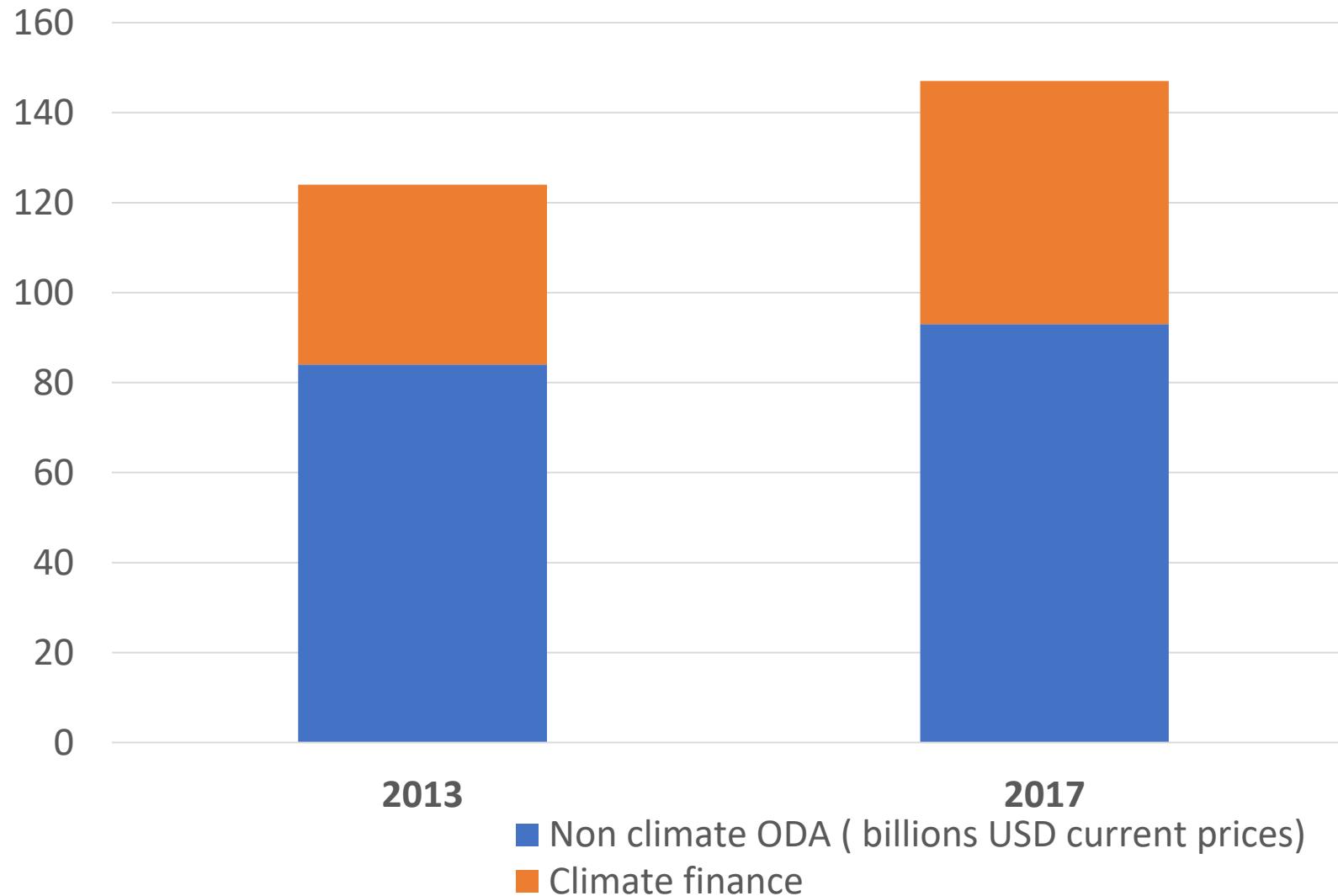
Climate finance in UNFCCC

- Financial flows from developed to developing countries
 - The USD 100 billion annually by 2020 Goal (extended to 2025 in Paris Agreement)
 - Private – mobilized by government action. (Roadmap)
 - Public
 - Bilateral
 - Multilateral – MDBs and special funds such as the Green Climate Fund.
 - Emissions trading, REDD+ RBP, CDM?
 - Includes both mitigation and adaptation finance
- Biennial reports to the UNFCCC mandated in 2/CP.17
 - New and additional

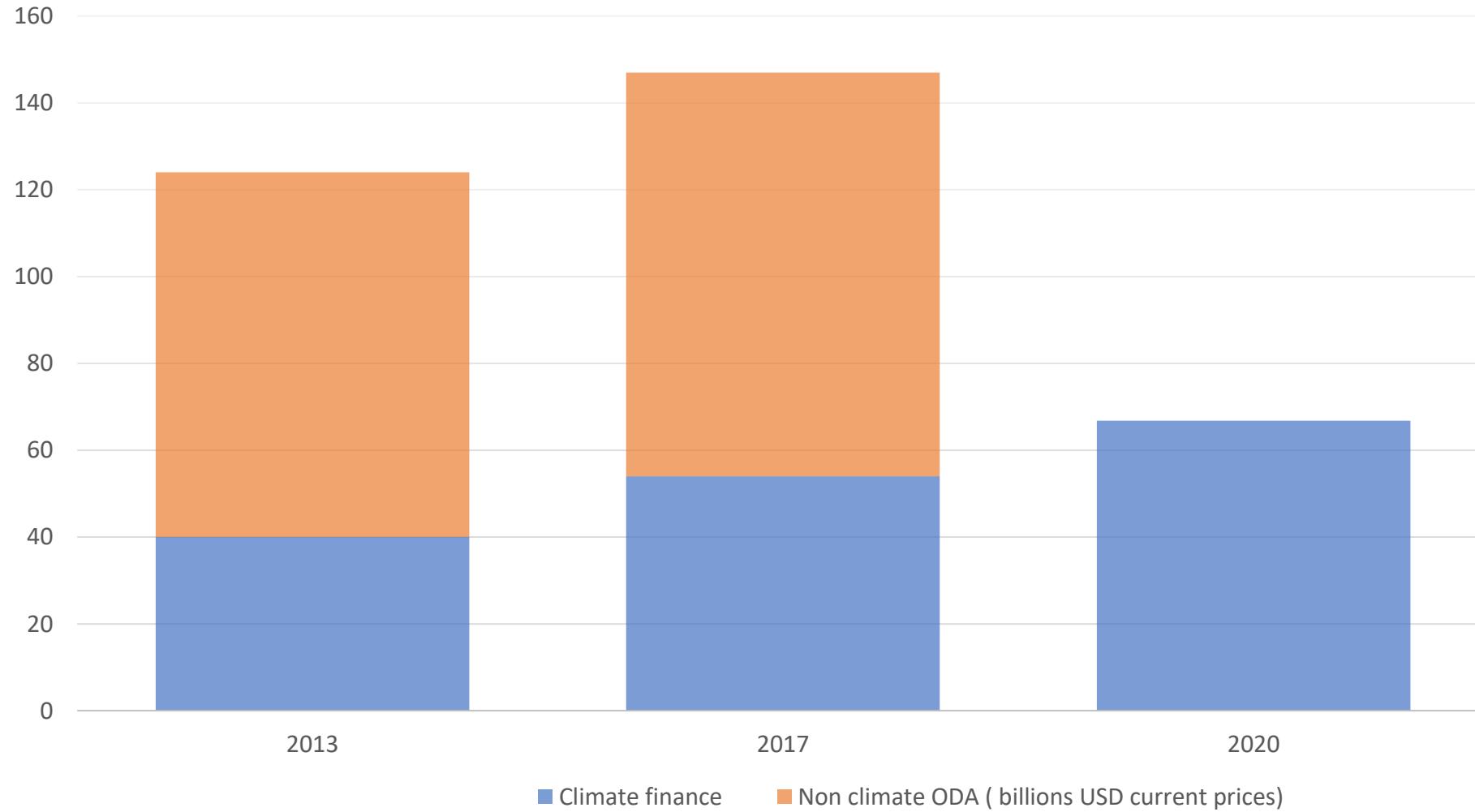
Climate finance volume vs ODA

- Total ODA in 2017 OECD (2018b) found total ODA to be USD 147.2 billion at current prices.
- This compares to total climate finance of USD 55.4 billion or 37% of total foreign aid in 2017 (OECD 2018).
- If we look only at mitigation finance, it makes up 27% of total ODA.
- OECD (2016) has projected that ODA will increase to USD 66.8 billion by 2020.

Climate finance in ODA (OECD)

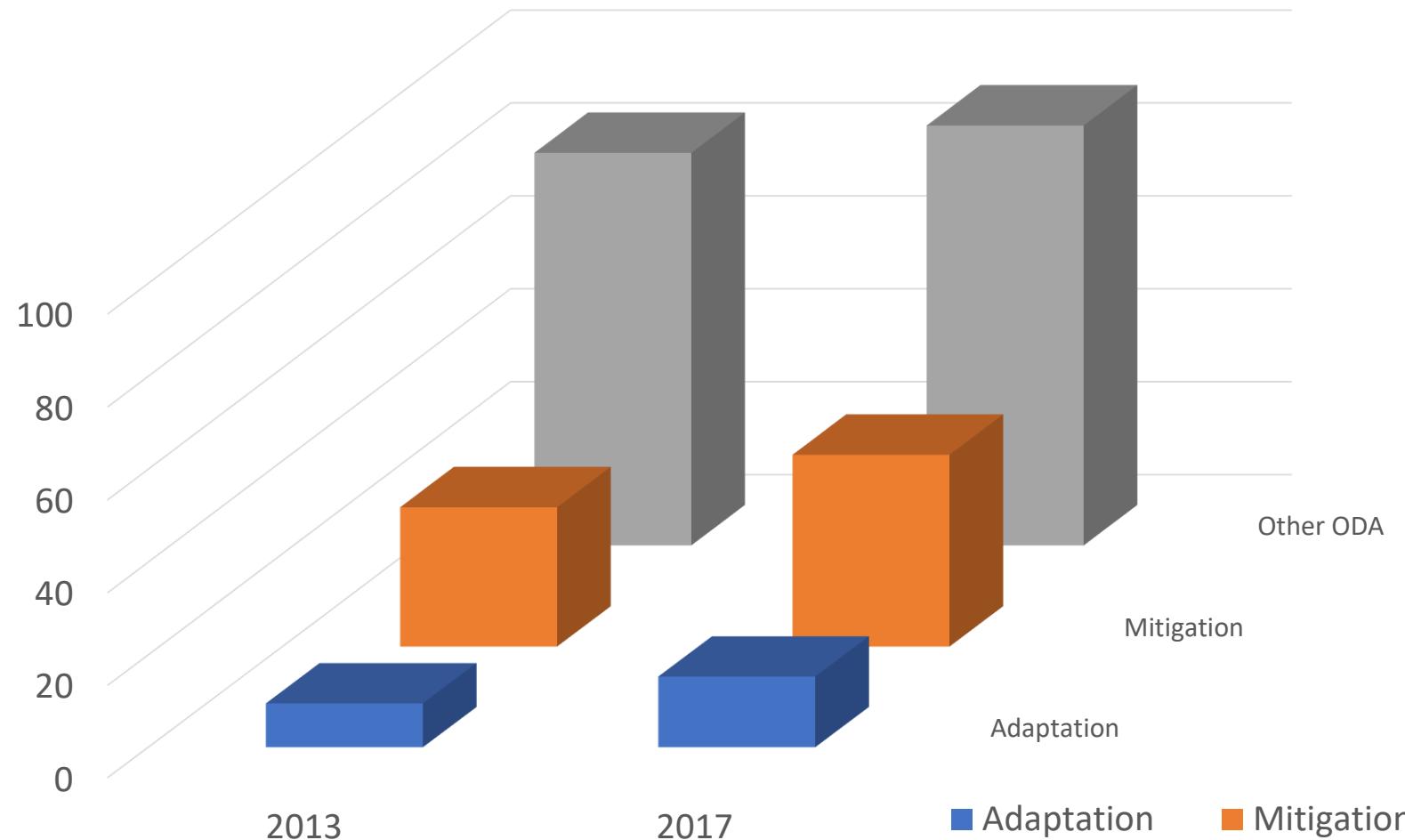


Trend Total ODA & climate finance - OECD projection to 2020



Relative volumes of adaptation, mitigation and non climate ODA

(<http://www.oecd.org/environment/cc/Climate-finance-from-developed-to-developing-countries-Public-flows-in-2013-17.pdf>)



OECD (2016) could not find evidence of diversion.

- Preliminary analysis
- 2013/14 latest figures
- Said needs more work because the drivers of ODA are not known well enough.

OECD Development Assistance Committee (DAC)“Official Development Assistance” – Definition and Coverage.

- those flows to countries and territories on the [DAC List of ODA Recipients](#) and to [multilateral institutions](#) which are:
 - *i. provided by official agencies, including state and local governments, or by their executive agencies; and*
 - *ii. each transaction of which:*
 - *a)is administered with the promotion of the **economic development and welfare of developing countries** as its main objective; and*
 - *b) is concessional in character...*

Rio Markers

An activity can be marked as “principal” when the objective (climate change mitigation, climate change adaptation, biodiversity, combating desertification) is explicitly stated as fundamental in the design of, or the motivation for, the activity. Promoting the objective will thus be stated in the activity documentation to be one of the principal reasons for undertaking the activity. *In other words, the activity would not have been funded (or designed that way) but for that objective.* <http://www.oecd.org/dac/environment-development/Annex%2018.%20Rio%20markers.pdf> (From DCD/DAC(2016)3/ADD2/FINAL)

Does climate mitigation under Rio Markers really meet the DAC definition of ODA?

- ***ODA***
 - *the “economic development and welfare of developing” countries must be its main objective.*
- ***Mitigation (Rio marker)***
 - *If one looks at the ii a) if a projects principal objective is for climate mitigation*
- ***Wriggle room?***
 - *“would not have been funded... (or designed that way)”*
 - *“one of the principal reasons.”*

How accurate are Rio markers?

Were introduced by DAC to identify ODA funding directed to the Rio conventions.

Questions about measurement

- Michaelowa and Michaelowa (2011) found many projects were identified as climate related when it is not obvious why they should be given a climate Rio marker. They conclude many non-climate related projects were marked as climate related to match a government's increased focus on climate policy.
- The opposite may also apply. An evaluation of the DFAT climate change assistance 2018 found that when the government de-emphasised climate in 2014 many investments were rebranded as water or food security.
- Oxfam 2018 believes that Rio Marker figures greatly exaggerate the scale of climate finance.

Global Public Goods

Public Goods – Paul Samuelson 1954

- Non rival
- Non excludable

Global Public Goods (GPG) (Kaul 1999)

- This overlaps with the concept of an *international public good*
- ***Climate change mitigation*** meets the definition of a GPG
- ***Adaptation*** is usually not a GPG because its benefits are by and large local and usually within the borders of one country (excludable).
 - Adaptation and mitigation are distinguished in the DAC Rio markers.

Transnational and international public goods

- Kaul (2013) catagorises GPGs as a subcategory of transnational public goods.
- **Ministry of Foreign Affairs of the Netherlands:** <https://www.government.nl/topics/development-cooperation/documents/reports/2013/04/30/a-world-to-gain>

“Every country stands to benefit from safeguarding international public goods (IPGs)” and include a list of some international or global public goods

- Trade and the financial system,
- climate
- food and water
- and certain aspects of migration,
- security and stability are sometimes referred to as international public goods

Global public goods

“By distinguishing between global public good financing and aid, developing countries can refocus development assistance on national development priorities. (Kaul 1999)”

Need system for prioritising GPGs internationally (Kaul 1999)

“New and Additional”

- From Article 4.3 of the United Nations Framework Convention on Climate Change. No definition (Kaul et al 2015 maintains that this rules out the use of ODA for climate finance)
- Mentioned in a number of UNFCCC decisions, particularly 2/CP.17
- In 2/CP.17 developed country parties are required to show how climate finance is “new and additional” in their Biennial Reports.

New and additional reporting in Paris Rulebook - COP 24

Types of information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement

- f) An indication of new and additional resources to be provided, and how Parties determine such resources as new and additional;

118. Developed country Parties shall provide the information pursuant to Article 13, paragraph 9, in accordance with the MPGs contained in this chapter

- (r) An indication on what new and additional financial resources have been provided, and how it has been determined that such resources were new and additional.

New and additional - still undefined!

New and Additional

- Many definitions in the literature. (Source – Biennial Assessment – SCF 2016)
 - (a) Only funds mobilized from new sources, such as a levy on emissions trading;
 - (b) Only funds delivered through new channels, such as the GCF;
 - (c) Only funds in excess of a 0.7% gross national income contribution to ODA;
 - (d) Only funds in excess of current ODA;
 - (e) Only funds in excess of ODA levels from a specified baseline year;
 - (f) Only funds in excess of the projected ODA calculated using a specified formula;
 - (g) Only a specified share of the increase in ODA;
 - (h) Only funds in excess of current climate finance;
 - (i) Only climate finance that is not reported as ODA.

Australia's Definition

Australia's definition :

“Note: Australia sources its climate finance from new and additional aid budget appropriations passed by the Australian Parliament on an annual basis.” Australia’s BR2 and BR3.

By that definition all Australian government expenditure must be new and additional to be lawful.

Progression from previous levels.

In Article 9, paragraph 2 the Paris Agreement refers to:
progression beyond previous levels with regards to climate finance.

The **Paris rulebook – UNFCCC** decided at COP24, included;
“(s) How the information provided reflects a progression from previous levels
in the provision and mobilisation finance in the Paris Agreement.

**Does not deal with diversion because it seems ODA would be could be
used with this finance**

Solutions

- Co benefits – achieve other development priorities with climate finance.
 - Lose focus on climate mitigation –
 - Duchelle et al. (2018) for Reducing Emissions from Deforestation and Forest Degradation (REDD+) the majority of research papers measure co-benefits while very few measure the Carbon outcomes of these projects.

Solutions

- Mainstreaming – hard to measure – lose focus on resources provided for GPGs.
- **Exclude climate finance from definition of ODA (Inga Kaul, Oxfam)** such as current treatment for;
 - most in donor refugee costs
 - most military expenditure

The exclusion debate

Sir Nicholas Stern (2015)

- Additionality is important but the complementarity of climate finance activities with ODA means they cannot be separated.

Inga Kaul

- There is considerable synergy between climate finance and ODA. For the sake of clarity and transparency, finance for GPGs must be identified and dealt with separately.
- Responsibility for global public goods to be handed to relevant domestic departments. For instance:
 - Health GPGs to the health department of the contributor country.
 - Climate change - international support should be under the control of the environment department, say.

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