

CLIMATE FINANCE SHADOW REPORT 2023

ASSESSING THE DELIVERY OF THE
\$100 BILLION COMMITMENT



SUMMARY

EVEN BY THEIR OWN GENEROUS ACCOUNTING STANDARDS, DEVELOPED COUNTRIES ARE THREE YEARS OVERDUE ON THE COMMITMENT TO MOBILIZE US\$100BN PER YEAR. THIS HAS UNDERMINED TRUST IN THE CLIMATE TALKS AND COULD HAVE SERIOUS CONSEQUENCES FOR WHETHER WE ARE SUCCESSFUL IN AVOIDING THE WORST IMPACTS OF CLIMATE CHANGE.

The Sixth Assessment Report from the Intergovernmental Panel on Climate Change (IPCC) states plainly that we are not on track to keep warming below the 1.5°C limit set by the Paris Agreement, with emissions still rising.¹ At the same time, the world is seriously unprepared to deal with the now unavoidable impacts of climate change. The consequences of this inaction manifest as climate change-induced loss and damage. East Africa is experiencing its worst drought in over 40 years, contributing to crisis levels of hunger.² In the past three years, India, Pakistan, Central South America, Western North America, the UK, Australia and Siberia have all seen record heat waves and/or wildfires.³ In 2022, Pakistan suffered a severe heat wave that was later followed by intense rainfall and flooding between June and August, affecting over 33 million people.⁴

While Pakistan's monsoon floods caused destruction that affected people of all backgrounds, women and girls bore the brunt of the impacts. These impacts included nearly 700,000 women deprived of maternal healthcare while pregnant.⁵ Similarly, in East Africa, six consecutive failed rainy seasons have seen women taking responsibility for survival tasks – from collecting scarce water and food to caring for children and people who are sick – while being excluded from essential decision making that affects their lives.⁶ In both cases, and during climate-induced extreme weather events in general, women and girls are at increased risk of gender-based violence,⁷ as well as being less likely to receive relief goods and more likely to experience a loss of livelihood compared with men. This contributes to higher rates of socioeconomic insecurity, physical vulnerability and death – death rates for women and children during these events can even be fourteen times higher than those of men.⁸ Women are also less likely to be involved in climate action planning, both for mitigation and adaptation, and as a consequence less likely to benefit, often to the detriment of the action's effectiveness.⁹

International climate finance offers essential support to communities and countries on the frontlines of climate change – to address climate damages, to adapt to unavoidable climate change and to advance low-carbon development pathways. It must be based on principles of local leadership, inclusion, gender equality and women's empowerment if it is to be effective and leave no one behind.

This year, Parties to the Paris Agreement are carrying out a Global Stock Take on progress in achieving the Agreement's goals. One element is already clear: the goal set by developed countries¹⁰ to deliver US\$100 billion a year in climate finance by 2020 has been missed.¹¹ Based on the current accounting and reporting practices applied by climate finance contributors, total climate finance was reported as \$83.3bn in 2020.¹² While this is a sizeable amount, it falls significantly short of the promise made in 2009, and it is based on accounting practices that do not reflect the actual level of support provided.

INTERNATIONAL CLIMATE FINANCE OFFERS ESSENTIAL SUPPORT TO COMMUNITIES AND COUNTRIES ON THE FRONTLINES OF CLIMATE CHANGE.

Oxfam estimates that in 2020 the real value of financial support specifically aimed at climate action was only around \$21bn to \$24.5bn – much less than officially reported figures suggest. Urgent action is needed to restore trust and provide much-needed finance, starting with immediately fulfilling the \$100bn-a-year goal and making up for the shortfalls in years where it has not been met.

But meeting the goal on paper is nowhere near enough, because *how* climate finance is provided is as important as *how much* is provided. This report lays bare how an excessive number of loans, insufficient grants, inadequate funding for adaptation, and misleading accounting practices mean that climate finance is far from fulfilling its purpose. Only a small share of climate finance has gender equality as a principal objective, and only a small share is for locally led climate action. Even worse, in some cases this finance, which should be helping communities thrive despite climate change, is likely harming them in other ways, by increasing debt and taking money from shrinking Official Development Assistance (ODA) budgets.

The stark reality of climate change has strengthened the calls of developing countries for new financial support to recover from unavoidable losses and damages. This led to the agreement at COP27 in Egypt to establish a new fund to respond to loss and damage. Despite being many years overdue, this is an important step, and the fund should be quickly operationalized and adequately provided for. Importantly, the funding should be new and additional to existing ODA and climate finance commitments.

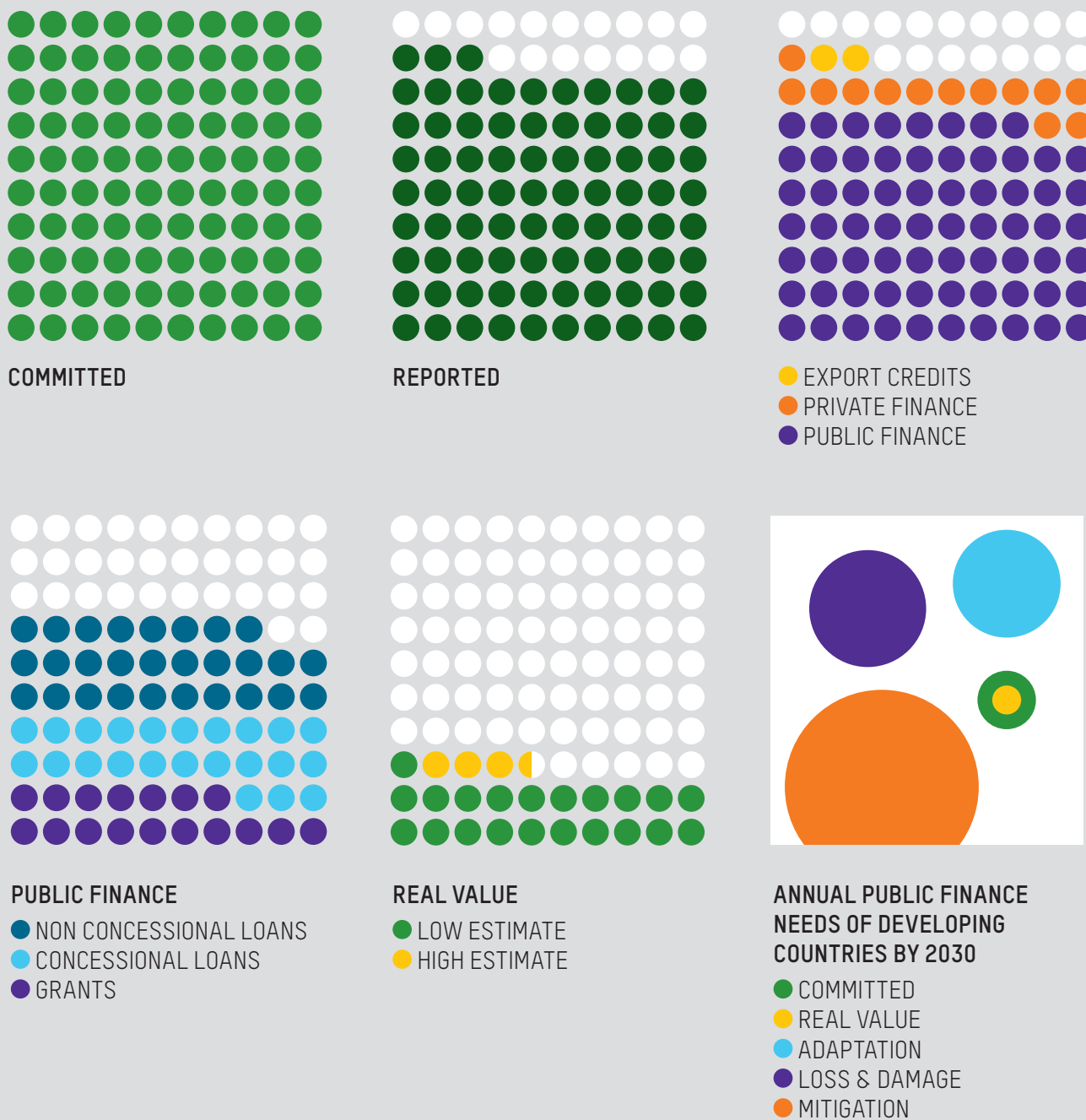
We do not need to wait for the Global Stock Take, which will set the agenda for near-term climate talks, to understand what needs to happen: hugely accelerated climate action. But acceleration will only happen at the scale needed, and in equitable ways, if we also accelerate the provision and mobilization of climate finance and ensure it gets to where it is needed. In line with the ‘polluter pays’ principle, options such as a shipping emissions levy, wealth taxes or an excess fossil-fuel profits tax should be developed as innovative finance sources, particularly for mobilizing finance to support adaptation and address loss and damage. More finance should also be mobilized through the issuance of additional Special Drawing Rights and transferring those to developing countries to support climate action, and through affordable borrowing to fund investment in adaptation and mitigation in low- and middle-income countries without adding to their debt burden.¹³

Talks have started under the UN Framework Convention on Climate Change (UNFCCC) about the new finance goal for the period after 2025: the New Collective Quantified Goal (NCQG), which will take into account the needs and priorities of developing countries, from a floor of \$100bn a year.¹⁴ This discussion is an opportunity to rebuild trust in the climate talks between developed and developing countries.

If those working on the new finance goal do not learn from the mistakes outlined in this report, they will have failed before they even start. Contributions must become far more transparent, building on clear commitments that allow for accountability. There needs to be a new global public finance goal specifically for adaptation and addressing loss and damage as a component of the NCQG. Public finance is a lifeline for communities on the frontlines of the climate crisis, especially for dealing with climate impacts, and this needs to be acknowledged.

All of this should be built on the foundation of a goal that is needs-based, and that allows for far more local ownership and responsiveness to the needs of communities it is supposed to reach. We are at a critical point for trust in multilateral processes, without which we will not be able to limit climate change, and this is an important step towards rebuilding it.

Figure 1. Breakdown of the delivery in 2020 of the \$100bn climate finance goal and an indication of public climate finance needs of developing countries by 2030¹⁵



CLIMATE FINANCE 2019–20: KEY TAKEAWAYS

1. DEVELOPED COUNTRIES REPORT THEY HAVE PROVIDED JUST \$83.3BN OF THEIR COMMITTED \$100BN OF ANNUAL CLIMATE FINANCE. ONLY \$21 TO \$24.5BN OF THIS COULD BE CONSIDERED **REAL SUPPORT**.
2. THE **NET FINANCIAL VALUE** OF REPORTED CLIMATE FINANCE TO DEVELOPING COUNTRIES – THE GRANT EQUIVALENT – MAY BE LESS THAN HALF OF WHAT IS REPORTED BY DEVELOPED COUNTRIES.
3. DUE TO OVERESTIMATING THE CLIMATE RELEVANCE OF REPORTED FUNDS, **BILATERAL CLIMATE FINANCE** MAY HAVE BEEN UP TO 30% LOWER THAN REPORTED.
4. JUST ONE-QUARTER OF REPORTED PUBLIC CLIMATE FINANCE IS PROVIDED AS GRANTS. THE REMAINDER IS **MOSTLY LOANS**, THE MAJORITY OF WHICH ARE NOT EVEN CONCESSIONAL (THEY DO NOT REPRESENT A BETTER DEAL THAN CAN BE OBTAINED ON THE MARKET).
5. ONLY 33% OF REPORTED PUBLIC CLIMATE FINANCE WAS FOR **ADAPTATION**, WHILE 59% WAS FOR **MITIGATION**.
6. OVER HALF OF CLIMATE FINANCE ALLOCATED TO **LEAST DEVELOPED COUNTRIES** (LDCS), AND MORE THAN ONE-THIRD OF FINANCE TO **SMALL ISLAND DEVELOPING STATES** (SIDS), WAS PROVIDED AS LOANS.
7. FINANCE TO ADDRESS LOSS AND DAMAGE IS STILL NOT OFFICIALLY PART OF THE INTERNATIONAL CLIMATE FINANCE ARCHITECTURE, RESULTING IN **NO SYSTEM OF RELIABLE SUPPORT**.
8. CLIMATE-RELATED DEVELOPMENT FINANCE IS NOW UP TO ONE-THIRD OF **STAGNATING ODA BUDGETS**, RATHER THAN BEING 'NEW AND ADDITIONAL'.
9. ONLY AN ESTIMATED 2.9% OF CLIMATE-RELATED DEVELOPMENT FINANCE IDENTIFIED **GENDER EQUALITY** AS A PRINCIPAL OBJECTIVE, AND DATA ON HOW MUCH FINANCE IS SPENT AT THE LOCAL LEVEL IS SERIOUSLY LACKING.
10. **CONSISTENT AND TRANSPARENT DATA** IS NOT AVAILABLE TO ESTIMATE THE LEVEL OF PRIVATE FINANCE MOBILIZED TOWARDS THE \$100BN-A-YEAR GOAL.
11. TO BETTER ADDRESS NEEDS, IT IS HIGH TIME TO **MOVE BEYOND** THE \$100BN-A-YEAR GOAL, BOTH IN DESIGN AND THE AMOUNT.

RECOMMENDATIONS

ENHANCED TRANSPARENCY IN REPORTING

Climate finance needs to be reported in a way that better reflects its true value for developing countries and the real effort made by developed countries.

All climate finance contributors (both bilateral and multilateral) need to:

- Report full project lists with far more information detailed per project, to allow for better transparency and accountability.
- Start reporting on finance they provide to address loss and damage, with transparency around its additionality, purpose and scope.
- Report the grant equivalent value of their climate finance in the appropriate column of the new Common Tabular Format (CTF), as developed countries already do for bilateral ODA reporting.
- Where climate change is part of a broader development project, report the full project value as well as the estimated value of activities specifically targeting climate change, using a project-by-project approach.
- Stop counting non-concessional instruments towards UNFCCC climate finance obligations.
- Disclose the terms, including interest rates and repayments, of loans and other instruments used to provide climate finance.
- Report the share of climate finance they are contributing to LDCs and SIDS.
- Report mobilized private finance on a project-by-project basis, as with public finance reporting. In doing so, the Katowice principles should be applied, including explaining causality between public investment and mobilized finance, and avoiding double counting in attributing mobilized amounts between governments.

MEETING THE \$100BN-A-YEAR GOAL

Climate finance providers should immediately make good on the \$100bn-a-year goal, and commit to urgently increasing their grant-based support.

- For any years in 2020–2025 when the goal is missed, developed countries must commit to addressing any shortfalls through increased contributions in subsequent years.
- All climate finance providers must commit to significantly increasing adaptation finance, focusing on grant-based finance. Developed countries should present a delivery plan, detailing collective and individual action towards the goal of doubling adaptation finance by 2025 compared with 2019.
- All climate finance providers should commit to significantly increasing climate finance to LDCs and SIDS, including by immediately delivering all adaptation finance as grants.

LOCALLY LED AND GENDER- TRANSFORMATIVE SOLUTIONS

- Climate finance contributors must increase their funding and assistance for climate action at the local level, aligning with developing countries' national planning, policies and strategies (including Nationally Determined Contributions, or NDCs), and keep track of and report on the amount of climate finance spent locally and in line with principles for locally led adaptation.

- Climate finance contributors should prioritize gender equality in climate-related projects, which should consider the unique needs of women and men in their goals, design, budget and execution. Gender equality markers should be transparently and consistently reported to the OECD and the UNFCCC.

NEW FINANCE GOAL

The new global climate finance goal for the period after 2025 (the NCQG) cannot be one round number for such diverse things as grants, loans and private investment. It needs to be better defined, and it must be more reflective of actual need than the \$100bn-a-year goal.

- To address the stark difference between reported numbers and the net value of provided support, negotiations on the post-2025 goal must include discussion and agreement on what to count as climate finance, and how to count it towards the new goal.
- The new goal must be needs-based and adaptable over time, responding to new evidence and emerging needs. All financial needs assessments show significantly greater needs than \$100bn a year, so the new goal(s) must also be significantly higher.
- The new goal must recognize the need for public grant-based finance where no returns on investment are required, particularly for adaptation and addressing loss and damage. The NCQG should not combine public climate finance and mobilized private finance in one goal (or sub-goal).
- The new goal must include sub-goals for mitigation, adaptation and addressing loss and damage.
- The NCQG should explicitly recognize the special situation of LDCs, SIDS and other highly climate-vulnerable contexts, including by prioritizing them for grant-based and highly concessional finance.

NEW AND ADDITIONAL FINANCE, INCLUDING FROM NEW SOURCES

- In line with the 'polluter pays' principle, options such as a shipping emissions levy, wealth taxes, or an excess fossil fuel profits tax should be developed as innovative finance sources.
- Mobilizing sufficient finance to respond to the new needs-based finance goals will require developed countries to face up to their responsibilities. They can do this, for example, through supporting the issuance of additional Special Drawing Rights, and transferring these to developing countries to support climate action, and through affordable borrowing to fund investment in adaptation and mitigation in low- and middle-income countries without adding to their debt burden.
- Climate finance should be additional to aid commitments: funds counted towards the \$100bn-a-year goal (and towards UNFCCC obligations) should not also be counted towards the 0.7% GNI aid target.
- As a first step, developed countries should commit to ensuring that future increases of climate finance qualifying as ODA form part of an overall aid budget that is increasing at least at the same rate as climate finance.
- Contributors must provide finance to address loss and damage through grants, and these should be in addition to the current \$100bn-a-year goal.

ENDNOTES

- 1 H. Ritchie and M. Roser. (2022). Greenhouse Gas Emissions. Our World in Data. Accessed 26 April 2023. <https://ourworldindata.org/greenhouse-gas-emissions>
- 2 World Weather Attribution. (27 April 2023). *Human-induced climate change increased drought severity in Horn of Africa*. Accessed 2 May 2023. <https://www.worldweatherattribution.org/human-induced-climate-change-increased-drought-severity-in-southern-horn-of-africa/>
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- 4 World Weather Attribution. (14 September 2022). *Climate change likely increased extreme monsoon rainfall, flooding highly vulnerable communities in Pakistan*. Press release. Accessed 26 April 2023. <https://www.worldweatherattribution.org/climate-change-likely-increased-extreme-monsoon-rainfall-flooding-highly-vulnerable-communities-in-pakistan/>
- 5 UNFPA. (2022). *Women and girls bearing the brunt of the Pakistan Monsoon floods*. Press release. Accessed 12 May 2023. <https://reliefweb.int/report/pakistan/women-and-girls-bearing-brunt-pakistan-monsoon-floods>
- 6 L. Molesky. (2022). *Gender roles in the East African drought*. Accessed 12 May 2023. <https://www.mironline.ca/gender-roles-in-the-east-african-drought>
- 7 M. Bachelet. (2022). Remarks to Panel: ‘Exploring the nexus between climate change and violence against women and girls through a human rights lens.’ <https://www.ohchr.org/en/statements/2022/06/annual-full-day-discussion-human-rights-women>
- 8 S.R. Fatema, et al. (2019). ‘Women’s health-related vulnerabilities in natural disasters: a systematic review protocol’. *BMJ Open*. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6937021>
- 9 L. Schalatek. (2022). *Climate Finance Fundamentals 10: Gender and Climate Finance*. Accessed 12 May 2023. <https://us.boell.org/en/2022/03/04/climate-finance-fundamentals-10-gender-and-climate-finance>
- 10 Oxfam is moving away from terms like ‘developed countries’ and ‘developing countries’, but since these country groupings are enshrined in the UNFCCC and the Paris Agreement, we use them for clarity when referencing aspects of the international climate regime, including the provision of climate finance.
- 11 The commitment was originally set out in the Copenhagen Accord in 2009 and affirmed a year later in decisions made at COP16 in Cancún. See United Nations Framework Convention on Climate Change (UNFCCC). (2010). *Report of the Conference of the Parties on its Fifteenth Session, Held in Copenhagen from 7 to 19 December 2009. Addendum: Part Two: Action Taken by the Conference of the Parties at its Fifteenth Session*. Accessed 26 April 2023. <https://unfccc.int/sites/default/files/resource/docs/2009/cop15/eng/11a01.pdf>; and UNFCCC. (2011). *Report of the Conference of the Parties on its Sixteenth Session, Held in Cancun from 29 November to 10 December 2010. Addendum: Part Two: Action Taken by the Conference of the Parties at its Sixteenth Session*. Accessed 26 April 2023. <https://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf>
- 12 OECD. (2022). *Climate Finance Provided and Mobilised by Developed Countries in 2016–2020: Insights from Disaggregated Analysis*. <https://doi.org/10.1787/286dae5d-en>. Throughout the report we use \$ to refer to US dollars.
- 13 E. Seery and D. Jacobs. (2023). *False Economy: Financial wizardry won’t pay the bill for a fair and sustainable future*. Oxfam. <https://www.oxfam.org/en/research/false-economy-financial-wizardry-wont-pay-bill-fair-and-sustainable-future>
- 14 UNFCCC. (2021). *Decision 9/CMA.3, New Collective Quantified Goal*. Accessed 26 April 2023. <https://unfccc.int/documents/460952>
- 15 The small bubbles in Figures 1a to 1e represent US\$1bn each. The bubbles in Figure 1f are roughly proportional to each other’s sizes. Sources for the figures (left to right): Figure 1a – the \$100bn-a-year commitment. Figure 1b – reported finance: OECD (2022a). Figure 1c – channels: OECD (2022a). Figure 1d – instruments: reported bilateral finance based on UNFCCC (2023), with a few exceptions (see endnote 17 in the full report). Reported multilateral finance based on OECD (2022b). Figure 1e – climate-specific net assistance (CSNA) estimates calculated by Oxfam based on OECD (2022b). Figure 1f – these are indicative numbers for developing countries’ public finance needs by 2030, based on the sources mentioned in Table 9. For mitigation finance we have taken 50% of the middle ground in the IPCC’s range for 2030 (\$1,100bn); the other 50% is expected to come from private sources. For adaptation finance, we have taken the upper end of UNEP’s range for 2030 (\$340bn). For loss and damage finance, we have taken the middle ground of the three sources mentioned in Table 9 (\$400bn).

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This report was written by Bertram Zagema, Jan Kowalzig, Lyndsay Walsh (Oxfam), and Andrew Hattle, Christopher Roy and Hans Peter Dejgaard (INKA Consult). INKA Consult, an independent research consultancy with a special focus on climate finance, carried out most of the technical analysis underpinning this report. Oxfam would like to thank staff at the OECD for technical advice and assistance: Raphaël Jachnik and Chiara Falduto from the Environment Directorate, and Cécile Sangaré, Tomas Hos and Giorgio Gualberti from the Development Co-operation Directorate. Oxfam would also like to acknowledge the assistance of Helen Bunting, Nafkote Dabi, Pdraig Oliver, Romain Weikmans, Timmons Roberts, Pieter Pauw, Joe Thwaites, Tracy Carty, Meena Raman, Tess Woolfenden, Scott Sellwood, Jason Farr, Didier Jacobs, Emma Seery, Dana Stefov, Amita Pitre, Guillaume Compain, Norman Martín Casas, Alba Pérez Terán, Melissa Bungcaras and Kesaia Vasutoga. The report is part of a series written to inform public debate on development and humanitarian policy issues.

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The information in this publication is correct at the time of going to press.

Published by Oxfam GB for Oxfam International in June 2023.
DOI: 10.21201/2023.621500

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