# CLIMATE CHANGE AND DEVELOPMENT COOPERATION IN SOUTH ASIA

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## CLIMATE CHANGE: AN IGNORED EMERGENCY

Climate change has become an emergency across the Asia Pacific region. The Special Report of Intergovernmental Panel on Climate Change (2018), which outlines the impact of global warming of 1.5°C, has called for urgent climate action.

According to the NASA & National Oceanic and Atmospheric Administration[1] the world in 2018 was 0.83 degree C warmer than the average between 1951 and 1980. At least a third of the huge ice fields in Asia's mountain chains, particularly the Himalayas in South Asia, are doomed to melt due to climate change. This will have serious consequences for almost 2 billion people.[2] Rising temperatures in the region have already led to the loss of endemic flora and fauna in fragile ecosystems throughout South Asia. The emissions gap report of the United Nations Environment Programme in 2019 maintains that economic growth-focused development model was responsible for the consistent rise of temperature.[3]

The Paris climate pact states that it is essential for global emissions to peak by 2020. This goal

is unlikely to be met, given the current rate of climate change. Goal 13 of the 2030 Agenda emphasizes the need for urgent global actions to tackle climate change. However, analysis indicates that this target will probably not be achieved, even by 2030.[4]

## THE CLIMATE CRISIS AND THE PUSH FOR FOSSIL FUELS

The continued pursuit of a neoliberal and unsustainable development model has further aggravated the climate crisis.[5] The push for energy initiatives, which focus on fossil fuels (coal, oil or gas), as well as large hydro-power projects continues unabated, despite global calls to phase out fossil fuel subsidies and unsustainable energy projects.[6]

In 2017, China, India, Indonesia and Vietnam made up 82% of the 718 units of coal fired power plants globally under construction, supported by development cooperation from members of the Organization for Economic Cooperation and Development (OECD).[7] In 2015 Japan financed $1.18 billion to build the coal fired Matarbari Power Plant in Bangladesh.[8] It is also supporting coal projects in Southern Thailand and Myanmar. Coal fired power plants not only undermine efforts to tackle climate change. They also intensify coal mining, which can have significant social and environment impact on local communities. Coal mining is further promoted with policies like the Mineral Laws (Amendment) Act, 2020, that liberalized coal mining regulations in India.

There is widespread recognition of the negative effect of fossil fuels, particularly their role in greenhouse gas (GHG) emissions. Despite this, government subsidies for coal, gas and oil energy initiatives rose to more than $300 billion in 2017.[9] Since the Paris Agreement, financial institutions from developed countries have continued to finance oil companies. JP Morgan Chase provided $196 billion in finance for fossil fuels, 10% of all fossil fuel finance from the 33 major global banks. Japan's fossil fuel bank, MUFG, funded $80 billion in fossil fuels overall.[10] Concerns have also been raised regarding the accreditation of the Bank of Tokyo-Mitsubishi UFJ (BTMU) and Japan International Cooperation Agency (JICA) with Green Climate Fund in 2017, both of which financed fossil fuel projects.[11]

There are many examples of government support for foreign investment in oil and gas initiatives. For example, India's policy of liberalization, including the Foreign Direct Investment policy of August 2017, has encouraged foreign direct investment (FDI). This includes an increase in the maximum limit for the share of foreign capital in joint ventures from 40% to 51%, with 100 percent foreign equity permitted in priority sectors like oil and gas. The Jubilant Oil and Gas Private Limited, a Dutch oil company, is involved in the survey works for oil exploration in two oil blocks in Manipur.[12] Canoro, a Canadian oil company, has been operating in the Arakan basin in Assam. The priorities of states and corporate bodies lies in extracting oil, gas, minerals etc, mostly from within indigenous territories.

Oil exploration and drilling by oil companies continue to unleash negative social and environmental impacts. In May 2020, a major blowout (uncontrolled release of natural gas and crude oil) occurred at the Baghjan Oilfield of Oil India Limited (OIL) in Tinsukia, Assam in North East India. The oil spill inflicted a terrible effect on the biodiversity of the two eco-sensitive zone of the Maguri-Motapung wetland and Dibru-Saikhowa National Park in Assam. The emission of greenhouses gases due to gas flaring and destruction of forest and agriculture land, a common feature of fossil fuel exploration and development, will aggravate climate change.

## CLIMATE FINANCE, DEVELOPMENT COOPERATION AND RENEWABLE ENERGY

Large dams, recognized as major emitters of GHGs, have been aggressively pursued in India, Nepal and Bhutan. They are promoted as renewable and sustainable sources of energy, with several OECD member countries and International Financial Institutions (IFIs) supporting the development of these large dams and allied infrastructures.

## DAM BUILDING AND DEVELOPMENT COOPERATION IN NEPAL:

Nepal has witnessed very large amounts of financing of large dams by several OECD member countries and IFIs. These investments are usually justified as initiatives to combat climate change,

- The 216 MW Upper Trishuli-1 Hydropower Project in Nepal, a massive initiative, is financed by the Japan International Cooperation Agency (JICA), the International Finance Corporation (IFC) of the World Bank and the Asian Development Bank (ADB).[13] The IFC financed $190 million, including $95 million of equity and loans from its own account and $95 million as the implementing entity for other funding sources. The Multilateral Investment Guarantee Agency of the World Bank Group provided $135 million in guarantees to cover political risk for the sponsors. Other international financiers include, the Export and Import Bank of Korea, CDC Group of the United Kingdom (formerly the Commonwealth Development Corporation), the Entrepreneurial Development Bank of the Netherlands (FMO) and PROPARCO of France.

  The project also includes assistance from the World Bank's International Development Association's (IDA) Private Sector Window, the Finland-IFC Blended Finance for Climate Program, and the Climate Investment Funds. Arranged by the IFC, loan agreements were signed to provide a total loan amount of $453.2 million. Thirty civil society organizations (CSOs) of Nepal have complained to the Green Climate Fund, expressing concern with the classification of the dam project as climate friendly.[14] According to this joint statement, as many as 30 hydro projects in the Trishuli River Basin have destroyed the natural environment and people's livelihoods in the areas where this project is being constructed. The project will displace Tamang indigenous community of Rasuwa district in Haku and Ramche of Rasuwa District in Nepal.

- The 140 MW Tanahu hydropower project in Nepal is financed by JICA, the Asian Development Bank and the European Investment Bank (EIB).[15] Costs for transmission and distribution lines to facilitate the building of large dams have been funded by the EIB. Indigenous Peoples have launched a complaint to the EIB on the harmful social and environmental consequences of the project. In October 2018, communities filed a formal complaint to the European Investment Bank's Complaints Mechanism on the effect of the high voltage transmission and distribution lines. The 220 KV Marsyangdi Corridor transmission line in Nepal to facilitate generation of power for numerous large dams was identified as being particularly harmful.

- The construction of the Upper Trishuli I, Tanahu hydropower project and other dams in Nepal are laden with high environmental and social risks. The 7.9 magnitude earthquake of April 2015 damaged the hydropower facilities at 19 sites and killed at least six workers at Upper Trishuli 3A, Mailung and Rasuwagadhi in Nepal.[16]

The cumulative impact of hydropower projects and their supporting infrastructure, such as transmission and distribution lines, on the fragile Himalayas have not been assessed.[17] The enormous infusion of FDIs, mostly in the form of loans, will further push Nepal into being one of the most indebted countries.[18] Nepal is already struggling under a significant public debt - in 2018, Nepal's public debt was US$8,766 million, which represents 30.2% of its GDP.[19]

## DAM BUILDING IN INDIA'S NORTH EAST:

Dam building is a significant part of India's development plan, particularly in the North East. Approximately two hundred dams, which are earmarked as part of the country's renewable energy program, are planned for the Brahmaputra – Barak River system. As many as 595 hectares of forest land have been diverted for the Mapithel dam. The 1500 MW Tipaimukh dam will submerge 27,000 hectares of forest land in Manipur. This massive submergence of forest, agriculture land and wetlands will contribute to major increases in the emission of greenhouse gases.

Dam building companies defend these huge hydropower projects, claiming that they provide clean energy and are part of the solution to climate change. They are actively seeking financial support for these initiatives. For example, the 1200 MW Teesta III hydroelectric project in North East India has been advocating for financial incentives from the Clean Development Mechanism of UN Framework Convention on Climate Change (UNFCCC).[20] In March 2019, the Government of India passed legislation to classify all hydropower projects as renewable energy. This is part of its goal to achieve 40% of the total power generation from non-fossil fuel sources by 2030 and to fulfil its Nationally Determined Contribution for Climate Change. Mega dam building across India's North East is integral to this goal.[21]

JICA provided 15,359 million Japanese Yen in an ODA loan for the Umiam Hydro Power Station Renovation Project in Meghalaya and the 60 MW Tuirial Hydroelectric Power Station Project in Mizoram. This latter project landed in controversy because it provided inadequate rehabilitation and resettlement for local people. The Tuirial Crop Compensation Claimant Association launched a complaint on the project's failure to provide compensation for crop loss in the land forcibly acquired.[22] The Government also approached JICA to finance the 66 MW Loktak Downstream hydroelectric Project in Manipur. This initiative will also result in a massive submergence of forest and agriculture land. KFW of Germany funded the Pare Hydroelectric Project in Arunachal Pradesh.

International financial institutions (IFIs) are increasingly financing dam projects and related infrastructures across North East India. In June 2016, the World Bank approved a $470 million loan for 400 KV high voltage transmission and distribution lines in India's North East[23] to facilitate the building of approximately 200 large dams on the Brahmaputra – Barak River

system.[24] The Singapore based Asian Genco Private Limited, which receives support from Goldman Sachs, Morgan Stanley, and the IFC, invested US$1.4 billion in the 1200 MW Teesta-III project in Sikkim. The project is marred by its violation of Lepcha People's rights in Sikkim.[25] These huge projects, which will cause the submergence of forest and destruction of the earth in the fragile Himalayas, will increase GHGs emissions and violate peoples' rights.

The World Bank's IFC has provided $3.19 billion to the National Hydroelectric Power Corporation Limited (NHPC) for the building and renovation of several dams, viz, the Singda dam, the Imphal Barrage, the Loktak downstream project in Manipur.[26] The NHPC received investment support from not only the World Bank's IFC, but also six commercial banks, including the HDFC Bank (India's leading private sector bank), Kotak Mahindra, Yes Bank and the industrial credit and investment corporation of India banks (ICICI). In April 2010, the NHPC, with financing from IFC, signed an agreement with the Government of Manipur to build the 1500 MW Tipaimukh dam and power plant. In August 2020, it also signed a power purchasing agreement with the Government of Manipur for the 66 MW Loktak Downstream Hydroelectric project.

## FALSE SOLUTIONS TO CLIMATE CRISIS

There is considerable concern regarding some 'solutions' proposed to address the current climate crisis. Unfortunately the Paris climate agreement of 2015 has opened the door to negative emissions technologies, which will allow sequestering carbon through forest restoration and reforestation.[27]

In 2015, India submitted its Intended Nationally Determined Contributions Policy (INDC) to the UNFCCC with a pledge to reduce its GHG emissions by 33 to 35 per cent by 2030. Unfortunately, this plan has already led to threats of eviction of Indigenous Peoples in areas where they depend on the forests.

The 2018 draft Forest Policy of India clearly focused on the role of forest for climate change mitigation[28] and promoted private sector participation in forest management, undertaking afforestation and reforestation activities in degraded forest areas and forest areas. This forest policy fosters market-based climate change solution like reducing emissions from deforestation and forest degradation (REDD+), whose contribution in mitigating climate change has been questioned for its effectiveness in many places where it is pursued.[29] The Indian Forest Act, 2019 also includes provisions to hand over forests to private companies for afforestation.

## CLIMATE FINANCING AND ODA DIVERSIONS

SDG 13 Target A focuses on improving climate finance flows. Under the 2015 Paris Agreement on Climate Change, developed countries committed to providing US$100 billion in climate finance annually by 2020 to developing countries.[30] Also, in 2015, developed countries once again pledged to provide 0.7% of GNI as ODA to meet their commitments under the UN's 2030 Agenda for Sustainable Development. ODA commitments, which remains largely unfulfilled.

Public climate finance from developed to developing countries increased from $37.9 billion in 2013 to $54.5 billion in 2017. However, grant financing increased by only 25% between these years, going from $10.3 billion to $12.8 billion, as opposed to loans which doubled in value to $40.3 billion in 2017. Most multilateral loans are non-concessional.[31] Climate finance reached around $19 billion in 2015, of which 30% were channelled as bilateral ODA, 64% as multilateral ODA and only 6% through dedicated climate funds. The inclusion of climate change support as ODA by developed countries has contributed to the failure to fulfil developed countries' global commitments to contribute 0.7% of GNI for development in developing countries additional to measures to mitigate and adapt to climate change. Climate financing ODA in Asia has been also concentrated in middle-income countries such as India, Vietnam, Indonesia, China and Bangladesh with market potential for the donor countries. Japan has attracted attention and criticism for its reporting of investment in a coal fired power plant as "climate finance" to the UNFCCC.[32]

The 3rd High Level Ministerial Dialogue on Climate Finance (December 2018) focused on leveraging finance from the private sector through public-private partnerships.[33] Blended financing focusing on private sector roles in energy projects such as large dams as we have seen have serious social and environment impacts. Finance from the private sector usually takes the form of loans instead of grants. Leveraging private sector finance through ODA by major donors in fossil fuel energy projects will worsen the climate crisis. Private Sector investments are not an appropriate way to support adaptation, due to their commercial interests.

## RECOMMENDATIONS:

1. A focus on lessening emissions from fossil fuels and large dams as a solution to reduce greenhouse gases is not a viable answer to address climate change. Instead it will worsen climate change and impede efforts to realize sustainable development. Massive dam and hydro power projects are likely to cause significant destruction of fragile biodiversity and the displacement of indigenous communities. The increased financing by OECD member countries and multi-development banks to these large energy projects, despite their potential for climate change impacts, is a major concern.
2. Because of their huge social and environmental impact, large dam projects should not be promoted as being climate friendly and useful strategies to secure renewable energy. Instead, it must be recognized that their main benefit is to provide corporate bodies a way of maximizing profits. A reliance on private sector investments is not an appropriate way to support adaptation and mitigation of climate change impacts.
3. Proposed projects to build large dams on the rivers across the Himalayan region in South Asia should be stopped. If not, these initiatives have the potential to destroy

forests and agriculture land, increase climate change issues and displace indigenous communities.

4. Developed countries should address inequalities in emissions, fulfil ODA commitments for development results, and commit appropriate additional resources to tackle climate change.

5. Sustainable development alternatives should be defined with respect for communities' rights and their rightful participation.
The phasing out of the use of fossil fuels towards alternative, cleaner and sustainable energy solution is essential. However, this goal cannot be achieved at the expense of indigenous peoples and community rights and ecological integrity.

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After walking for days or weeks with hardly any food or water, Somali families would arrive exhausted and hungry. Many of the children were malnourished and in poor health.

SOURCE: EU Civil Protection and Humanitarian Aid

# THE WORLD BANK'S CLIMATE FINANCE: TRANSFORMATIONAL CHANGE, OR DOUBLING DOWN ON NEOLIBERAL GLOBALISATION?

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**Summary**: This article provides a critique of the World Bank's climate finance flows, which the Bank refers to as 'climate-related investments.' Despite the fact that climate finance constitutes a growing part of the Bank's overall portfolio, there are reasons to be concerned that these finance flows, as currently constituted, won't catalyse the transformational change necessary to achieve global climate goals. The article considers three aspects of the World Bank's climate finance:

1. How the Bank defines climate finance, and whether these definitions are aligned to meet the Paris Agreement's aim of keeping average global temperature increases 'well below' 2°C compared to pre-industrial levels.

2. The instruments through which the Bank's climate finance is disbursed: Most of its climate finance is provided as loans, as opposed to grants, ignoring the climate justice imperative.

3. The link between the Bank's climate finance and its wider promotion of the financialisation of development finance, which, according to Gabor and Sylla, seeks "to reduce statecraft to de-risking investments for global financiers."

## INTRODUCTION: POSITIONING THE WORLD BANK'S CLIMATE FINANCE WITHIN ITS SUPPORT FOR NEOLIBERAL GLOBALISATION

The World Bank Group, together with its sister organization, the International Monetary Fund (IMF), has been an important handmaiden of neoliberal globalisation, which has privileged economic growth as the key metric of international development. As a set of processes, neoliberal globalisation, as promoted by the Bank and Fund from the 1980s to the present, has accelerated processes of extractivism from the Global South to the Global North, while promoting deregulation and austerity as key policy prescriptions. Negative climate and environment impacts have been a key 'externality' of the World Bank's lending, in particular. As noted by Bruce Rich:

> *"The Bank's environmental legacy is one of cumulative, avoidable ecological and social harm. … This dysfunction is rooted in a perverse institutional culture of loan approval and pressure to lend, which also undermines governance in the Bank's borrowers and the economic quality of its operations."*

In recent years, the World Bank has sought to partially pivot to promoting "green growth," including its 'climate-related investments', while also continuing to provide finance for fossil fuels, particularly fossil gas. This article provides an overview of the Bank's climate finance, given this wider context, looking in turn at: 1) Issues with how the World Bank defines climate finance; 2) instruments through which the Bank disburses climate finance, i.e. primarily via loans rather than grants; and 3) the implications for borrower countries of the Bank's climate finance being embedded in its efforts to accelerate the financialisation of international development by crowding in private sector investors – an initiative it refers to as Maximizing Finance for Development.

## THE WORLD BANK'S CLIMATE FINANCE: KEY CAVEATS ABOUT GROWING FINANCE FLOWS

According to its internal accounting methods the World Bank's climate finance flows have increased substantially in recent years. In fiscal year 2019 (FY19), which ended at the close of June 2019, 30 per cent of the Bank's lending was 'climate-related', amounting to $18.8 billion across the different arms of the World Bank Group. Of these flows, $14.2 billion came from the International Bank of Reconstruction and Development (IBRD), the Bank's middle-income country lending arm, and the International Development Association (IDA), the Bank's concessional lending arm for low-income countries. A detailed breakdown of the World Bank's climate finance for FY20 is not yet available. However, according to the Bank, climate-related investments rose to a combined $15.89 billion for IBRD and IDA last year. By comparison, IBRD and IDA provided $6.5 billion in climate-related investments in FY15.

This trendline is due to continue in the coming years. In commitments announced at COP24 in Katowice, Poland (2018), the Bank will seek to provide $100 billion in climate-related investments through IBRD and IDA between FY21-25. The Bank has also committed to provide a further $33 billion through the

International Finance Corporation (IFC), its private sector investment arm, and the Multilateral Investment Guarantee Agency (MIGA), its project insurance arm, over the same time period, while also seeking to mobilise $67 billion in co-investment from the private sector. The Bank recently confirmed that it is introducing a target of 35 per cent of its investments being 'climate-related', on average, between FY21-25.

So, what's not to like? The first pertinent issue to reflect on is how the World Bank defines its climate finance, and whether these definitions are well aligned with global climate goals. The Bank tracks its finance using a jointly agreed upon multilateral development banks' (MDBs) methodology, which includes separate guidance for tracking climate change mitigation and climate change adaptation finance. As noted in a report by World Resources Institute and others, the MDBs' mitigation finance tracking methodology is not yet aligned with the aims of the Paris Agreement. Instead it is relying on the Common Principles for Climate Mitigation Finance Tracking, which were developed in 2012:

> *"While the methodology excludes certain activities—switching to more efficient thermal coal power plants, hydropower plants with high methane emissions, geothermal power plants with high $CO_2$ emissions, and biofuel projects with high net emissions—other activities that reduce GHGs are counted toward mitigation finance, regardless of whether they are congruent with 1.5° or <2°C pathways (emphasis added)."*

Thus, "the methodology allows for the tracking of investments to improve the efficiency of existing thermal power plants or to retrofit a plant to allow for the use of a less GHG-intensive fuel type (e.g. natural gas). But the methodology does not explicitly require that the plant be aligned with the Paris temperature goal."

While the MDBs are expected to release a new joint methodology on tracking mitigation finance in 2021, it is fair to say that some of the World Bank Group's climate-related investments to date are not well-aligned with a 1.5°C future. To cite just one example, according to reporting by Devex IFC is "planning to mobilize up to $400 million to finance an oil company's plan to reduce gas flaring." The article notes that IFC will invest in "Basrah Gas Company's construction of a new gas processing plant in the oil-rich region of southern Iraq, which will significantly increase the company's ability to process raw gas." Under the current MDBs' mitigation finance tracking methodology, the project is eligible to be classified as climate finance on the grounds that it reduces gas flaring.

Questions have also been raised about the credibility of the Bank's accounting methodology for its climate change adaptation finance. A report published by CARE Denmark and CARE Netherlands in January 2021, Climate Adaptation Finance: Fact or fiction? assessed climate adaptation finance reported by donors for 112 projects in six countries between 2013-2017. This study found that in 16 World Bank projects there was a net over-reporting of $832 million mis-labelled as adaptation finance. The report notes that there remains a transparency gap in adaptation finance reporting by the Bank and other multilateral development banks, as "their in-depth methodology and the evidence behind their climate finance figures remain unpublished."

While a full critique of all aspects of the MDBs' climate finance methodology is beyond the scope of this article, another significant dimension is the designation of certain types of hydropower as a source of renewable energy. During the 18th replenishment cycle for IDA (IDA18), which ran from mid-2017 to mid-2020, a 5GW agreed upon target for renewable energy was largely met due to the World Bank's investments in several major new hydropower projects in low-income countries such as the 420MW Nachtigal Hydropower Project in

Cameroon. Given the World Bank's long history of investing in damaging hydropower projects, civil society organisations such as Oil Change International have rejected this classification as mitigation in their independent analysis of the Bank's energy lending.

There are also concerns that the Bank's continued investments in fossil fuels are working at cross-purposes with its efforts to increase climate finance. Despite the Bank introducing a new exclusion on project finance for 'upstream' oil and gas projects that it began implementing in 2020, Germany-based civil society organisation Urgewald estimates that the Bank has provided over $12 billion in support for fossil fuel projects since the Paris Agreement was signed.

## UNTIL DEBT DO US PART? DESPITE CLIMATE JUSTICE IMPERATIVE, THE MAJORITY OF MDBS' CLIMATE FINANCE IS DISBURSED AS LOANS

A second thorny issue with the World Bank's climate finance is the instruments through which it is disbursed. Its climate finance flows consist mostly of loans rather than grants, reflecting an overall trend in climate finance that has been mobilised by wealthy donor countries to date. According to Oxfam's Climate Finance Shadow Report 2020, approximately 20 per cent of all public climate finance reported by wealthy countries in 2017-2018 was disbursed as grants, with the rest being provided via loans or other non-grant instruments.

Sonam P Wangdi, Chair of the Least Developed Countries Group at the UNFCCC, made the following statement regarding the climate finance totals mobilised by rich countries in 2018 (the year for which the most recent data exists):

> *"The large majority (74%) was [provided] as loans, much delivered as ordinary, non-concessional loans, which will have to be repaid with interest. This is a concern for us, as many developing countries are facing a looming debt crisis. Climate change is already a burden, and the prospects of increased debts are worrying. We would like to see the promise of $100 billion fulfilled through grants."*

The World Bank does not provide a detailed breakdown of the proportion of its climate-related investments that are in the form of grants. However, the 2019 Joint Report of Multilateral Development Banks' Climate Finance gives a summary of different instruments used to disburse climate finance across the World Bank and other MDBs. According to this report grants constituted just $2.7 billion of a total of $61.5 billion in MDBs' climate finance in 2019. By comparison, the World Bank and other MDBs provided $44.9 billion in investment loans in 2019.

MDBs also provided $4.7 billion in climate finance via policy-based financing in 2019. In the case of the World Bank, this refers to its development policy financing. These loans require borrower countries to undertake 'prior actions' (usually legal changes) in order to secure fungible budget support. If prior actions are deemed 'climate-related', the World Bank counts a proportion of these loans as climate finance, although the budget support provided by these loans may not directly finance climate projects, per se. Worryingly, in the case of the World Bank, there is no publicly available information available on how 'climate-related' prior actions are defined.

## THE WORLD BANK'S CLIMATE AGENDA MEETS THE 'WALL STREET CONSENSUS'

The World Bank's climate finance is embedded in a much wider transformation of the development finance architecture, which the World Bank refers to as Maximizing Finance for Development (MfD). MfD seeks to 'crowd in' the private sector in development efforts, by 'de-risking' them. Gabor and Sylla describe MfD as the "Wall Street Consensus":

> *"For the last decade, the G20, the IMF, the World Bank and other multilateral development banks…have pursued a new development agenda focused on a 'grand bargain' with private finance: the Wall Street Consensus. Its logic is powerful. The global portfolio glut – the trillions managed by institutional investors, mostly from the Global North – could finance the Sustainable Development Goals, given the assumption of scarce public resources in the Global South."*

As Gabor notes elsewhere, the Wall Street Consensus, "promises institutional investors $12 trillion in 'market opportunities' in transport, infrastructure, health, welfare, and education, to create new investable assets via public-private partnerships in these sectors and deeper local capital markets." An implicit part of this agenda involves a fundamental change in the role of the state in the Global South. Gabor argues:

> *"Under this consensus, nation states are supposed to protect the financial sector from the risks of investing in developing markets. This would privatise gains for [global] finance and push losses onto low-income governments and the poor."*

She notes that this logic has increasingly been applied to climate finance, which she refers to as the "Wall Street Climate Consensus." It "promises that, with the right nudging, financial capitalism can deliver a low-carbon transition without radical political or institutional changes." Gabor argues that such an approach avoids the reforms to the global financial architecture that are needed in order to address the overlapping climate and inequality crises. She notes: "The Wall Street Climate Consensus will not turbocharge the climate agenda. It is designed to protect the status quo of financial globalisation," rather than yielding a publicly backed Green New Deal on a global scale.

As already alluded to above, the World Bank's 2021-25 climate finance targets explicitly seek to 'crowd in' $67 billion in private finance. In the arena of climate investment (and elsewhere), the Bank typically views its role as a convenor. It understands itself as having the ability to help facilitate de-risking for private sector partners through co-finance, project guarantees, or legal and regulatory reforms attached to its policy lending. However, this architecture often leaves borrower countries holding most of the risk, including long-term public-private agreements that guarantee profits for the private sector. If project risks materialise, borrower countries are likely to face financial liabilities, which essentially translate into further debts that are largely off-balance sheet.

## CONCLUSION: TOWARDS A JUST RECOVERY FROM COVID-19 AND A JUST TRANSITION TO A ZERO-CARBON FUTURE

The COVID-19 crisis has deepened the contradictions of the Wall Street Climate Consensus. While many developing countries have been left with unsustainable debt burdens, private creditors have refused to participate in coordinated debt restructuring. This situation has raised the spectre of disorderly sovereign debt defaults. In the face of emergency COVID-19 measures, there are signs that private sector investors

are increasingly turning to trade arbitration tribunals, such as the World Bank-hosted International Centre for Settlement of Investment Disputes. Their objective is to seek compensation from countries for lost profits, including those stemming from environmental regulations. Meanwhile, there has been a fresh wave of austerity measures mandated by the IMF for countries who sought emergency lending from the Fund in 2020. According to UNCTAD these measures threaten to further restrict the Global South's ability to prioritise climate action over debt repayments and could usher in a 'lost decade' for development gains.

The implications for climate action are stark. In order to contribute to a zero-carbon transition that is socially just, changes are needed on at least three different levels:

1. The climate finance provided by the World Bank and other MDBs must be genuinely aligned with the aims of the Paris Agreement, and congruent with a 1.5°C pathway. In practice, this means excluding finance for all fossil fuels, in addition to strengthening the joint MDBs climate finance methodology and ensuring project-level transparency in how this finance is reported.

2. The MDBs' wealthy shareholders must commit to mobilise significant amounts of grant-based finance, in order to provide countries with fiscal space and spur the zero-carbon transition.

3. Rather than promoting the Wall Street Climate Consensus, a new consensus is needed that reverses long-term trends of pro-private sector policies, including deregulation, a race to the bottom in terms of corporate taxation, and austerity. Such a consensus must involve a clear break with neoliberal globalisation. Instead, the climate finance provided by the World Bank and other MDBs needs to be couched within wider reforms to global financial architecture. It could lay the foundation to achieve a global Green New Deal, one which addresses the climate crisis and yields a more equitable global financial order.

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Three failed rainy seasons have resulted in Ethiopia's worst drought in 50 years. Country-wide 250 000 people are believed to be displaced across more than 25 sites. Siti zone in the country's Somali region is one of the hardest hit .

SOURCE: EU Civil Protection and Humanitarian Aid

# **ESCAZU AGREEMENT:** AN OPPORTUNITY FOR THE PEOPLES OF LATIN AMERICA AND THE CARIBBEAN IN THE FACE OF ENVIRONMENTAL CRISES

*Georgina Muñoz, RENICC, Nicaragua*

## 1. INTRODUCTION

Perhaps the greatest challenge in our world today is the need to identify and implement solutions to our planet's latent environmental crises. This is a highly complicated process, one that requires serious political dialogue between the Global North and Global South. To date there has been limited progress in creating international, regional or local solutions and agreements to respond to the effects of climate change.

Many international conferences have been convened to discuss these issues. At the first Summit on Environment and Sustainable Development (Rio de Janeiro, 1992) the UN Framework Convention on Climate Change (UNFCCC) was created, with its annual Conference of the Parties (COP). But these meetings have often had disappointing results. For example, the Copenhagen Conference

of the Parties (2009) failed to advance the Kyoto Protocol into a strategy aggressively implemented by world leaders, one that addressed the depletion of natural resources, pollution, loss of biodiversity, climate change and the depletion of the ozone in the context of climate change.

After more than a century and a half of industrialization, deforestation, and large-scale agricultural practices, the amount of greenhouse gases in the atmosphere has increased to levels never seen in the last three million years. Climate change could plunge another 100 million people into poverty by 2030.[1]

While our whole planet is experiencing the impact of climate change, the poorest countries are particularly vulnerable and likely to suffer the most. Their rights are greatly at risk to climate-related phenomena, human health repercussions, food insecurity, loss of livelihoods, and difficulty in accessing safe water sources. The recent COVID-19 pandemic has significantly worsened an already precarious situation.

There are no easy solutions for these issues. The political, economic and military dominance of global economic powers over the planet is founded on a neoliberal, capitalist system that plunders our natural resources. It turns humankind into a machine at the service of economic growth without providing comprehensive solutions to society's fundamental needs for a decent life in peace and harmony with nature.

But against these forces is a growing awareness that our world is a single ecosystem and that the environmental deterioration of one part has repercussions for other, distant places, even the entire biosphere. The care and protection of the natural environment has thus become a growing priority for the global political agenda.

Latin America's Amazon is an important resource, not only for the region but also for the whole world and plays a critical role not only in the defense of our natural environment but also in the promotion of alternative economies to care for our world. The latter reflects community systems, which create bio-geographic spaces that have a strategic value in conserving biodiversity, culture and identity in the face of global warming. This framework could be applied to all ecosystems in Latin America and the Caribbean contributing to both a regional and a worldwide system change.

To support this vision, it is necessary to have effective multilateral agreements in place at the global and regional level. This would allow countries to access environmental, economic, political and social justice resources to support inclusive and sustainable development. The 2030 Agenda for Sustainable Development and the Escazú Agreement for Latin America and the Caribbean are two such initiatives.

## 2. THE ESCAZÚ AGREEMENT FOR ENVIRONMENTAL SUSTAINABILITY IN LATIN AMERICA AND THE CARIBBEAN

The 2030 Agenda for Sustainable Development, approved by the United Nations Member States, sets out the path towards greater dignity, prosperity and sustainability for the people and the planet.

Latin American and Caribbean countries have played a relevant role in developing this vision. This has included multilateral initiatives resulting in the adoption of the only legally binding agreement derived from the 2012 United Nations Conference on Sustainable Development (Rio + 20). The Escazú Agreement is the first environmental treaty in the region and the world to include provisions about environmental human rights defenders.

"The Regional Agreement on Access to Information, Public Participation and Access to Justice in Environmental Matters in Latin America and the Caribbean" was adopted in Escazú (Costa Rica), in March 2018.[2] Negotiated by the States with meaningful civil society and general public engagement, this Agreement confirms the value of regional dimensions of multilateralism for sustainable development. It links global and national frameworks, establishes regional standards, and promotes capacity building, particularly through South-South cooperation. It lays the foundation for a supportive institutional structure and offers tools to improve policy-making and decision-making.

This Treaty is groundbreaking. It makes a major contribution to democratic governance by guaranteeing the right to gender equality, a healthy environment and sustainable development, which is centered on people and vulnerable groups. It establishes urgent priorities for environmental management and protection from a regional perspective; regulates rights to access information and to public participation; and advocates for justice in the sustainable use of natural resources. It supports biodiversity conservation for the establishment of greater trust, stability and transparency in our societies.

## 3. THE ESCAZÚ SIGNATURE PROCESS AND ITS IMPLEMENTATION IN LATIN AMERICA AND THE CARIBBEAN

The Escazú Agreement prioritizes all-encompassing sustainable development:

> *"...By engaging the public in all decisions that affect them and establishing a new relationship between the State, the market and society, our countries are refuting the false dichotomy between environmental protection and economic development. Growth cannot take place at the expense of the environment and the environment cannot be managed if our economies and peoples are ignored.*
>
> *Legal certainty and trust in public institutions are also crucial to sustainable development.*[3]

Such interlinkage and interdependence, recognized in the Regional Agreement, makes the first regional treaty of ECLAC an invaluable tool for achieving the 2030 Agenda for Sustainable Development."

These are times of profound transformations, ones that are reshaping social and labor relations. The mechanisms contained in the Agreement can serve as a basis for regulations to prevent, control and limit

production systems that are motivated by profit maximization ambitions, regardless of their risk to the environment.

This is a regional Agreement involving the 33 countries that comprise Latin America and the Caribbean or all those that ratify it. The Agreement requires that a minimum of 11 countries must ratify the Agreement in order for it to be put into force. This is about to occur as 24 countries have signed the Agreements, and the eleven necessary countries have ratified it (Antigua and Barbuda, Bolivia, Ecuador, Guyana and Jamaica, Nicaragua, Panama, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Uruguay, Argentina and Mexico).

There is no doubt that the Escazú Agreement has many opponents who perceive it as a serious threat. These opposing sectors are polarizing discussions and are lobbying for States not to add their support and signatures to this Agreement. This dissension is causing social polarization in some countries such as Chile, Colombia, Paraguay and Costa Rica.

It is important to clarify that the Escazú Agreement is an agreement signed by States, but it does not establish substantive obligations and rights between States. Instead, most of its provisions (Articles 1 to 10) focus on a series of Obligations and Commitments that each State, within its territory and in relation to the people living under its jurisdiction, undertakes to implement.

The entry into force of this instrument, the first at the international level to extend special protection to those who defend the environment, is urgently needed. Latin America is already facing the effects of climate change, including an accelerated loss of biodiversity and the lack of protection of soil and safe drinking water sources in many parts of the region.

Just as important is the need to address past wrongs, to re-establish citizen and indigenous people's participation in environmental justice. Latin America has a violent history to account for – the region has the highest number of killings of environmental and community leaders. At least 264 human rights defenders were killed in the Americas in 2020, with 40% of violations from the land, Indigenous Peoples and environmental rights sector.[4] This legacy includes the intimidation and other forms of attacks that undermine the efforts of individuals and communities who dedicate part of their lives to environmental advocacy efforts.

The entry into force of the Escazú Agreement sends a strong message to the national and international community about our region's commitment to human rights in environmental issues. It opens spaces for international cooperation to implement development cooperation principles inside national plans, environmental and socio-economic policies, strategies and programs formulated by governments and civil social organizations (CSOs). All these actions are important contributions towards the implementation of the 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change.

## 4. THE ENVIRONMENTALIST MOVEMENT IN LATIN AMERICA AND THE CARIBBEAN

New social actors, who are mobilizers of change and transformation, are being empowered in the LAC region. The environmental movement has played a central role in the development of these movements in Latin America, as represented by the Leader Bertha Cáceres. She raised environmental awareness amongst thousands of young people and ultimately gave her life to the defense of Indigenous Peoples' rights.

Social Movements provide a space for social agreement, critical analysis, construction of political thinking and social mobilization. They mobilize populations to stand up for their rights, lands, crops, and products. Social movements are a forum for creating strategies to establish alternative markets, decent housing and wages and the support of human rights, exposing the extractive and predatory models of development that destroy the natural resources.

The integration of social movements is, of course, complex and dynamic. It requires the integration of the interests and views of organizations across sectors - trade unions, feminists, youth, peasants, fishermen, artisans, indigenous people, environmentalists, and migrants. This integration is a process built based on national and sectoral interests, a commitment to the protection of local resources as well as human and solidarity relations between peoples and the recovery of their collective memory. They are based on democratic principles and the realization of, peace, social justice, sustainable development, multicultural identities, self-determination, sovereignty, justice and solidarity principles.

## 5. CHALLENGES FOR GOVERNMENTS, DEVELOPMENT COOPERATION, AND SECTORS, MOVEMENTS AND CIVIL SOCIETY ORGANIZATIONS

### *Governments*

- Address the urgent need for the region to raise its level of ethical commitment and political will in environmental issues. Strengthening the environmental dimension of international policies and commitments by States should be a priority for government and state public management in the region;
- Support ownership of international, regional, sectorial Agreements - Escazú LAC Region Agreement - by governments for better governance and the establishment of democratic institutions;
- Clearly define environmental policies and development strategies at the national and regional sectoral levels to enable the implementation of the Escazú Agreements; and
- Engage citizens in political dialogue with the inclusion of multiple stakeholders, CSOs, movements, private sector, NGOs, for Environmental Agenda and Escazú Agreement implementation.

### *Development Cooperation*

- Accompany ownership, harmonization, alignment and accountability processes with a view to strengthening governments' capacities towards the implementation of the Escazú Agreement;
- Provide resources to governments, NGOs, sectors and CSOs towards environmental policy implementation strategies, policies and programs;
- Implement South-South, multilateral and bilateral cooperation towards environmental development effectiveness linked to SDGs/2030 Agenda; and
- Reshape development cooperation in Latin America taking account the severe increase in poverty and extreme poverty as a result of COVID-19 and natural disasters that are affecting the region as a result of the environmental crisis.

### *Sectors, Movements, Civil Society Organizations*

The environmental and climate crisis that the region has endured for decades, and now the COVID19 pandemic, highlights the urgency of working for the protection of nature to ensure the good health of our planet and humanity.

From civil society networks, social movements and citizen spaces that promote the implementation of Escazú Agreement:

- Urge the States of the Latin American and Caribbean region that have not yet ratified or adhered to the Agreement, to provide their countries with a robust instrument that allows progress in democracy and environmental governance;
- Create campaigns and social mobilization based on awareness raising and dissemination of environmental policies and the Escazú Agreement to contribute to their implementation, with citizen oversight;
- Accompany fully informed Human Rights Defenders in the management of the environmental agenda, supporting the opening of civic spaces; and
- Reconnect with the youth of the Americas, in order to stimulate dialogue and transmit generational experience.

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# PART 3
# GLOBAL AID TRENDS

Nasrin Akter, works as a community organizer under the LIUPC project of UNDP Bangladesh. She raises awareness about Covid-19 among the marginalized people in Dhaka. She takes great pride in her work, as she is able to help a huge number of people, but regrets not being able to help more.

SOURCE: UN Women/Fahad Abdullah Kaizer

# THE FUTURE OF AID IN THE TIME OF PANDEMIC: WHAT DO GLOBAL AID TRENDS REVEAL?

*Brian Tomlinson, AidWatch Canada*

## 1. INTRODUCTION AND SUMMARY

The COVID-19 pandemic is laying bare long-standing global and national inequalities as well as the realities of chronic poverty and social vulnerabilities in the Global South. There is growing alarm about the political resolve of the international community to step up for countries that lack the capacities and/or resources to protect their citizens. The global pandemic raises important questions: Will aid and humanitarian providers rise to this challenge for urgent action? Is it possible to reform the aid system itself so that it responds to the unprecedented impact of the pandemic as well as the emerging climate and ecological emergencies? Significantly increased and effective aid, guided by public purposes, is needed now more than ever. Aid is an essential resource to catalyze support for vulnerable populations who are deeply affected by worsening structural conditions of social injustice, racism, poverty and inequality. Evidence of meaningful responses to these challenges to date is mixed and discouraging.

The pandemic continues to unfold in its various waves in developed and developing countries alike (January 2021), with dramatic loss of human life in these past months -- more than 2 million globally in 2020 The full extent of

the pandemic's consequences for human life, livelihoods and peoples' rights is difficult to predict. Much remains uncertain. Nevertheless, certain dimensions of its impact in developing countries have been identified:

- The World Bank anticipates that as many as 150 million people may be pushed into extreme poverty by 2021 as a result of the pandemic. With 1.9 billion people, or 30% of the population of developing countries, living below the $3.20 social poverty line (and close to 50% of people in Sub-Saharan Africa), vulnerability to the economic and social shocks of the pandemic remain very high. Many people are already living on the margin of extreme poverty.[1]

- The situation for women highlights the gendered impacts of the pandemic. These includes not only its direct health, economic and social effects, but also its lasting consequences in "exposing and reinforcing entrenched gender norms and inequalities" that could last for generations. Female health and care workers, who are often on the frontlines, are highly susceptible to infections, at three times the rate of their male colleagues. Nearly 740 million girls have been out of school due to lockdowns in 2020 and many may not return. Women's access to sexual and reproductive health services have been curtailed in many countries. In both developed and developing countries, there is evidence that pandemic lockdowns have accentuated levels of sexual and physical violence by male partners.[2]

- The International Labour Organization (ILO) calculates that over two billion people earn their living in the informal economy, representing 90% of employment in low-income countries and 67% in middle-income countries. Of this number the ILO estimates that the livelihoods of 1.6 billion informal workers, often considered the working poor, have been seriously jeopardized because of measures to shut down economies. With no safety nets and no means to earn income, many are suffering from lack of food, or at best poor food, as well as limited or no access to health care. Women are significantly over-represented in this sector and have been the hardest hit by the consequences of the pandemic.[3]

- The Food and Agriculture Organization (FAO) has predicted that the number of undernourished people could grow by close to 20% before the end of 2020, from an estimated 690 million at the end of 2019 to up to 820 million. While an upward trend in food insecurity has been evident since 2017, the pandemic has only worsened this crisis. As well, millions of agricultural workers, have been forced to continue to work in unsafe conditions, exposing themselves and their families to additional risk.[4]

- The pandemic has also had a significant impact on civil society as it has limited its political space to work in challenging health and socio-economic conditions. According to CIVICUS' Civil Society Monitor, conditions for civic space deteriorated in 2020 with 87% of the world's population now living in countries rated as 'repressed', 'obstructed' or 'closed' in 2020. Only 12.7% of the world's population was identified as living in countries with 'open' or 'narrowed' spaces compared to 17.6% in 2019.[5]

- Responses to COVID on the part of illiberal governments have intensified measures to criminalize dissent, restrict freedom of information, expression and assembly.[6] The impact will be profound for longer term development. A comparison between the CIVICUS Monitor and the 2020 UN report on progress for the Sustainable Development Goals (SDGs) demonstrates that nine of the 10 countries that have made the most progress on the SDGs have a civic space rating as 'open.'[7]

In March 2020 OECD Secretary-General Angel Gurría, called for "a modern global effort akin to the last century [post-World War II] Marshall

Plan and New Deal [U.S. measures for recovery from the Great Depression] -- combined." Official Development Assistance (ODA), as well as debt cancellation, can play crucial roles in efforts to "focus especially on those who were already in physical, economic and social precarity, and strengthen the foundation for our common future."[8]

Since the beginning of the pandemic many countries in the North have devoted over 10% of their Gross National Income (GNI) to protect their economies and provide health and livelihoods assistance for their citizens. They have invested more than $800 billion in pandemic related social protection programs, compared to $3 billion by governments in the South.[9] This huge disparity in levels of support ignores an important fact - the pandemic cannot be stopped until its impact has been overcome throughout the world. But "vaccine nationalism," whereby developed countries have commandeered almost all vaccines approved and produced in early 2021 for their own populations, deeply undermines a global and equitable approach to protecting the most vulnerable everywhere. The Economist predicts that African populations may only start mass vaccinations sometime during the first half of 2022, with a significant proportion of the population vaccinated not until early 2024.[10]

If there ever was a time to address these inequalities, donor countries urgently need to ramp up ODA to the UN target of 0.7% of donors' GNI. Achieving this target in 2019 would have resulted in $356 billion in aid. Largely flat-lined since 2017, there is a long way to travel. In 2019 Real ODA from the OECD's Development Assistance Committee (DAC) donors at $135 billion, represented only 0.28% of their collective GNI.

The pandemic is likely to have a major impact on patterns of aid and its delivery in 2020 and subsequent years.[11] It is also difficult to predict how it will affect the availability of investments needed to achieve the goals of UN's Decade for Action to realize the SDGs by 2030 Major goals for poverty eradication, food security and women's empowerment have already been set back and the fear is that this will only continue.

Unfortunately, little aid data for 2020 is available in early 2021 to assess the actual impacts of the pandemic on aid trends. As a result, this chapter primarily focuses on pre-pandemic trends in aid and development cooperation from 2010 to 2019, which provide a backdrop for understanding future directions in the aid regime for critical goals in reducing poverty and inequality, meeting the ongoing challenges of the pandemic, addressing the climate emergency through climate finance, and responding to related conditions of conflict and fragility in the Global South.[12]

The main findings from this aid trends analysis are:

1. **Aid levels for most DAC members have atrophied or stagnated**. At current levels ($135 billion for Real ODA in 2019), the DAC is in a weak position to catalyze investments to achieve the SDGs in this Decade of Action for Agenda 2030, or to respond effectively to the immediate and longer-term impact of the pandemic in the Global South.

2. **Aid is highly concentrated and affected by five large donors.** What happens with the top five aid providers (France, Germany, Japan, the United Kingdom and the United States) has a tremendous impact on both the quantity and quality of aid and international cooperation. These donors provided 67% of all aid in 2019. They have been responsible for most of the growth in ODA since 2010, compared to all other DAC donors. But at 0.26% of their combined GNI, this performance ratio is 50% less than the next five donors. The impact of these donors is further accentuated by the scale of aid from European Union (a closely related multilateral donor) with its $15 billion in aid in 2019.

3. **Projections for ODA levels in 2020 and 2021 are uncertain**. Despite the urgent need for concessional development finance, which is driven by Agenda 2030, the climate emergency and an unprecedented pandemic, donors have only been able to affirm a weak commitment to protect or step-up aid "to the extent possible." The massive pandemic expenditures in donor countries make it hard to predict present and near future aid levels. The dramatic reductions in UK aid, with the United Kingdom government abandoning its legislated mandate of a 0.7% target, has been a major blow. Other countries, such as Canada, have indicated that they are only able to provide pandemic-related one-off increases. Other donor aid projections for 2021 do show some positive markers, but ODA remains uncertain in its overall levels and sustainability.

4. **Responses to the pandemic are falling short**. So far, contributions to alleviate the pandemic's impact in the Global South have been primarily through multilateral financial institutions or the UN system. These organizations have channeled approximately $110 billion in concessional and non-concessional resources (December 2020). At the end of April 2020, DAC members reported approximately $10 billion in aid to be committed to the pandemic response, an amount likely much larger by the end of December, but unequal to the challenges facing many of the poorest countries.

   The global coordinating mechanism, COVID-19 Tools (ACT) Accelerator, which includes the COVAX partnership to enable equitable access to vaccines in the Global South, has reported that $5.8 billion had been pledged, but an additional $3.7 billion is urgently needed. A further $23.7 billion in 2021 is required, if COVID tools are to be deployed around the world.

5. **Current levels of humanitarian assistance do not meet the unprecedented and complex consequences of conflict, pandemic and climate change impacts**. Despite a record 1 in 33 persons projected to require humanitarian assistance in 2021, the international community provided not even half (44%) of the UN humanitarian appeals and the Global Humanitarian Response Plan for COVID-19 in 2020 (November data). More than 1 billion people are living in countries affected by long-term humanitarian crises, with more than half the population of these countries living in poverty.

6. **Although DAC donor humanitarian assistance has grown over the past decade, there is still minimal investment in disaster preparedness**. The slow growth in ODA coupled with increases in humanitarian needs, has meant that the share of DAC humanitarian assistance in ODA has grown over the past decade. Its share of Real Bilateral ODA rose from 12% in 2010 to 18% by 2018.

   Three of the largest donors (the United States, Germany and the United Kingdom) were responsible for 71% of DAC donor bilateral humanitarian assistance in 2018. There has been a greater emphasis on support for coordinated efforts and post-emergency reconstruction (25% of humanitarian aid in 2018). But there is still little investment in disaster preparedness (largely stagnant at 3% of humanitarian assistance), despite widespread warnings of increased weather-related events resulting from the growing climatic effects of global warming.

7. **Fragile country contexts are important priorities for DAC donors, with possibilities for improving the aid-related humanitarian/development nexus**. Over the past decade thirty (30) countries with the most fragile contexts received 37% of Real ODA disbursements and 57% of humanitarian assistance, although these resources were unevenly distributed. There is a good opportunity to improve

the humanitarian/development nexus in these fragile contexts, in all but the most conflict affected situations. With 75% of aid to these thirty countries allocated for long-term development purposes, and 25% to humanitarian needs, the possibilities for improved synergies in the nexus are present. CSOs are important development actors in fragile situations – they are currently responsible for the delivery of 26% of the aid dispersed in these 30 countries.

8. **Donors are failing to address the impact of the climate emergency or to meet their commitment to provide $100 billion in international climate finance by 2020**. Developed countries were to be providing $100 billion in annual climate finance by 2020 in order to ensure a fair and effective implementation of the 2015 Paris Agreement. However, donors' actual commitments to international climate finance are far off this mark. When DAC donor bilateral climate finance is compared to 2014 and adjusted for mainstreamed climate finance and grant equivalency in loans, the total real bilateral climate finance by these donors has actually fallen by $2.9 billion by 2018. At $11.6 billion this performance is far from their $37.3 billion target contribution to the $100 billion commitment.

   While bearing little or no responsibility for the climate emergency, the majority of climate finance for developing countries is being delivered as loan finance, not grants. Climate finance indicators indicate that there is only a modest improvement in directing climate finance to the poorest countries for adaptation and addressing the rights of women and girls in climate impacts.

9. **Social protection measures that are being implemented in donor countries to address the impact of the COVID-19 pandemic and related lockdowns are not generally available to governments in the Global South**. Pervasive conditions of poverty, inequality, informal labour markets, and very limited government revenue creates a vicious circle for many millions of people without access to social protection and basic services. This situation has only worsened with the pandemic. Twenty-eight of the world's rich countries have spent an additional $695 per person for special protection measures while 42 low- and middle-income countries have only been able to spend from a low of $4 to $28 per person.

   Based on a proxy indicator for the poverty-focus of DAC ODA, less than half, or about 40%, of DAC donor and multilateral ODA has been directed to sectors that are highly relevant to poverty reduction. These sectors include small/medium enterprise development, basic education, health, human rights and agriculture. Over 60% of aid delivered through CSOs focus on these poverty-oriented sectors.

   Long-term development aid to Sub-Saharan Africa has been declining over the past decade, falling by 10% in 2018 from a high of $24 billion in 2011. While humanitarian assistance for African countries affected by conflict, climate events and insecurity is critical, ODA for long-term development aims is essential for catalyzing progress to meet the SDGs in a region with the highest levels of poverty.

10. **Over the past decade the quality of DAC ODA has been undermined by donor incoherence**. Some of the factors that have contributed to diminished quality are: 1) a reluctance to respect developing country ownership of their development priorities; 2) a growing but mixed emphasis on the private sector; 3) increasing use of loans in ODA; and 4) the imposition of migration and security sector aid conditionality.

    The Global Partnership for Effective Development Cooperation's 2019 monitoring of development effectiveness

principles found little progress in donor respect for country ownership, pointing to a decline in some indicators for donor practices consistent with support for country ownership. Budget support, an important resource for developing country priorities, has declined by 25% from a high of $12 billion in 2009 to $8.6 billion in 2018. There has been little progress in reducing tied bilateral aid, which does not include technical assistance and does not take account high levels of informal tying by DAC donors in their procurement practices.

As ODA has flat lined, donors have looked to the private sector to fill the SDG finance gap that may increase by up to 70% due to the pandemic. Indicators show a modest growth of ODA allocations related to the mobilization of private sector resources. Sectors oriented to engaging the private sector attracted 25% of aid for bilateral donors and 28% for multilateral donors in 2018, up from 22% and 23% respectively since 2010. Since 2018, DAC members included ODA invested in donor Private Sector Instruments (PSIs) such as Development Finance Institutions (DFIs). While it is likely that more will be reported in subsequent years, in 2018 only $2.7 billion was recorded for PSIs, which represented 2.5% of DAC donors' Real Gross Bilateral Aid.

There are major concerns about growing and unsustainable debt, which are compounded by the current pandemic. These concerns are accentuated by increases in the share of loans in the multilateral system and bilateral aid over the past decade. Loans have increased significantly in multilateral aid which have been one of the main channels for pandemic support in developing countries. Loans also play a major role in the bilateral ODA of Japan, France and Germany, with the share for Japan and France over 60% in 2018.

Conditioning of aid projects, particularly by European Union Institutions, to promote foreign policy objectives to limit the movement of irregular refugees to Europe is a growing concern for the quality of European aid.

In coming to these conclusions, the analysis develops five inter-related aspects of aid that will affect its allocations going forward in the aftermath of the pandemic:

a. An overview of current patterns of global poverty and their implications for the allocation of aid, whose goal should be the reduction of poverty and inequalities.

b. Trends in the value of ODA over the decade 2010 to 2019, including projections for aid in 2020 and 2021. The analysis points to important distinctions when these trends are disaggregated for the top five donors, and the next five donors (by amount of their aid).

c. Taking account growing poverty and vulnerability arising from endemic conflict, weak governance and increasing impacts of climate change, there is a detailed examination of trends in humanitarian assistance, fragile contexts and the allocation of donor climate finance.

d. The analysis then assesses the degree to which current allocations of ODA focus i) on sectors with an impact on poverty, ii) on allocations to countries with large numbers of poor and vulnerable people and to Sub-Saharan Africa, and iii) on trends for aid and gender equality.

e. Finally, the analysis examines aspects of aid that are tending towards undermining aid's focus on poverty and inequality and strengthening its roles in promoting donor interests and foreign policies. These include trends that indicate diminished progress on developing country ownership, the potential use of

aid as a subsidy for the private sector, and increased conditionality of aid relating to migration and security interests of the donor countries.

The conclusion points to the urgency for international leadership to ramp up aid with a renewed commitment to the 0.7% UN target and the effective deployment of these resources based on solidarity and the human rights of those most affected by systemic poverty and increasing global crises.

## 2. LEVELS OF GLOBAL POVERTY: PANDEMIC SET-BACK AND HEIGHTENED VULNERABILITY

**Poverty remains pervasive across the Global South, with 1.6 billion people or 26% of the population of developing countries living below the World Bank's poverty lines. These poverty levels are highly concentrated in Low-Income (LICs) and Lower Middle-Income Countries (LMICs), mainly in Sub-Saharan Africa and South Asia.**

**Hundreds of millions more people are living precariously, just above the edge of poverty. They are considered highly jeopardized, with marginal access to a livelihood, shelter, health care and education. These people are particularly vulnerable to the health and socio-economic impacts of the pandemic. There is a grave danger – and realistic possibility – that many from this population will slip below the poverty lines and into extreme poverty, in 2020 and 2021.**

**For most developing countries, domestic public revenue is limited by high levels of poverty and inequality, accompanied by tax evasion and avoidance. In the absence of ODA grants and other forms of external finance, governments in LICs and LMICs have very limited fiscal space to provide emergency or long-term social protection for hundreds of millions of vulnerable people, whose livelihoods are now jeopardized by far-reaching impacts of the pandemic.**

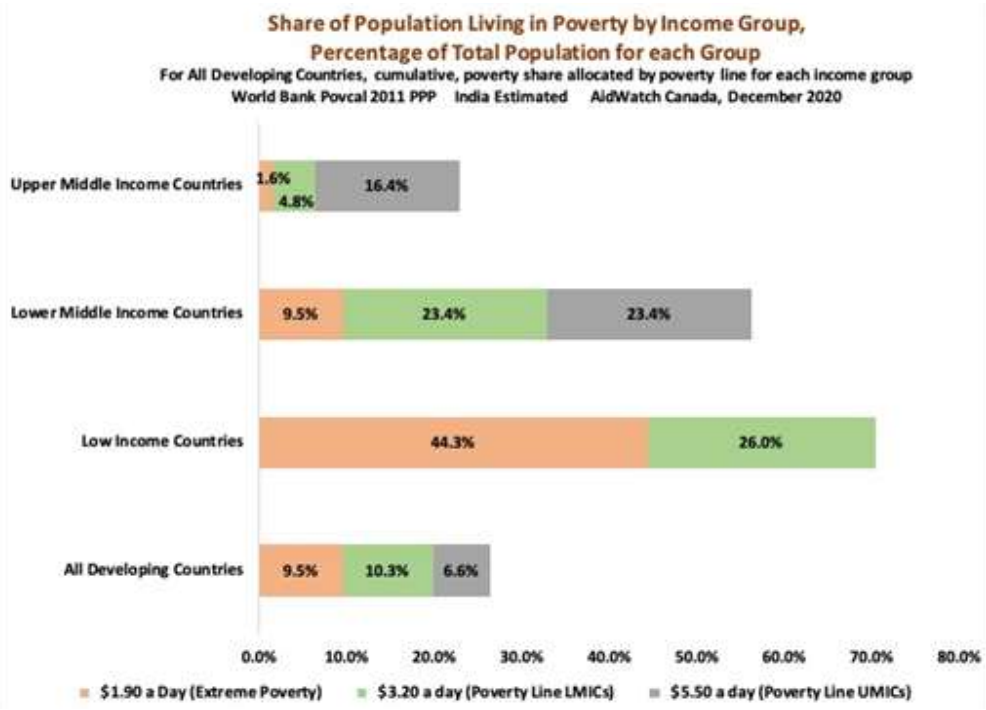
Progress in poverty reduction has proven to be very fragile in most countries in the Global South. The pandemic's short- and medium-term economic and social fallout risks creating a new era of global poverty, particularly in Africa and South Asia, potentially pushing back years of progress on extreme poverty.[13] UNCTAD predicts an overall global economic contraction of 4.3% in 2020, sending an additional 130 million people into extreme poverty.[14] The OECD estimates that the Indian economy, the home of many millions of people living in extreme poverty, is set to shrink by 9.9% in 2020 and not fully recover until 2022.[15]

The UNCTAD report finds that the pandemic's impact has been asymmetric and tilting towards the most vulnerable, both within and across countries, disproportionately affecting low-income households, migrants, informal workers and women. School closures, particularly in in Low-Income and Lower Middle-Income Countries threaten the difficult progress that has been made in girl's education. Before COVID-19 reports indicated that almost 18% of women worldwide reported having experienced physical or sexual violence by an intimate partner. UN Women predicts a "shadow pandemic" with an additional 15 million women affected by violence for every three months lockdowns continue.[16]

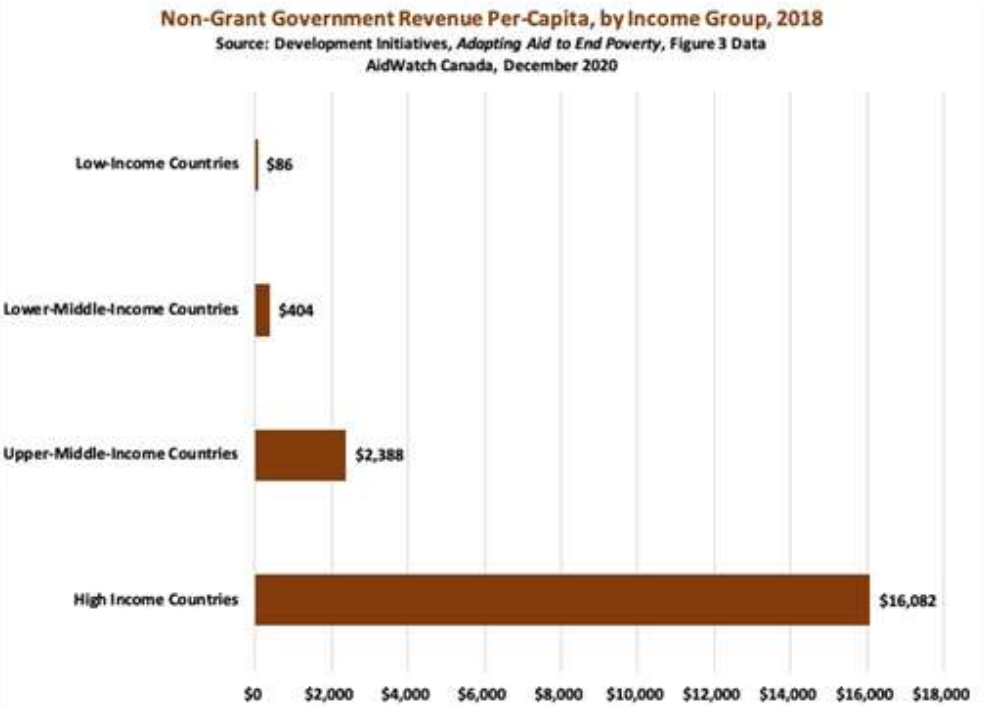
Mass famine, particularly in fragile and conflict situations, is likely to return. The UN Office for Coordination of Humanitarian Affairs (OCHA) predicts that the number of acutely food insecure people may rise to 270 million for 2020, an 82% increase in the number of hungry people globally compared to the pre-pandemic situation.[17]

With economic prospects for 2021 unpredictable for many developing countries,

## CHART 1: SHARE OF POPULATION LIVING IN POVERTY BY INCOME GROUP




## CHART 2: NON-GRANT GOVERNMENT REVENUE PER-CAPITA, BY INCOME GROUP, 2018



all forms of poverty are expected to continue to increase in 2021.

Prior to the pandemic, the World Bank estimated that approximately 690 million people were living in extreme poverty in 2017.[18] Extreme poverty is defined as access to the very minimum basics needed to sustain life, people living on under $1.90 a day (purchasing power parity between countries at 2011 prices). People living in extreme poverty are concentrated in low-income countries (LICs), including the Least Developed Countries (LDCs) with 44% of the population of LICs living on less than $1.90 a day.[19] (See **Chart 1**) Sub-Saharan Africa (40.2%) and South Asia (10.5%) have the highest concentration of the extremely poor, most of whom are living in rural areas, with women and children over-represented among these numbers.[20]

Although there has been significant progress in the reduction of extreme poverty over the past two decades, many millions of people are still living in conditions of great vulnerability, just above this line.[21] Approximately 26% of the population in LICs live on less than $3.20 a day, a poverty line where living conditions are considered to be highly jeopardized. This population has very limited and uneven access to a livelihood, shelter, nutritious food, health care and education. Many of these vulnerable people are likely to be greatly affected by the economic impacts of the pandemic with the real possibility that they may slip into extreme poverty.

The World Bank has determined three different poverty lines according to the economic status of the country: Low-Income Countries (LICs) at $1.90 a day, Lower-Middle-Income countries (LMICs) at $3.20 a day, and Upper-Middle Income countries (UMICs) at $5.50 a day. As **Chart 1** demonstrates, levels of poverty and vulnerability are very pronounced for 37 LMICs with 33% of the population or 925 million people living in poverty and a further 23% (420 million) highly vulnerable to poverty, living on less than $5.50 a day in these countries.

Taken together, and allocated according to the different poverty lines, 1.7 billion people, representing over a quarter of the population of developing countries (26.4%), are living under the poverty line. A further 9%, or 600 million people, in LICs and LMICs are living at an income level that leaves little room for economic shocks or health emergencies.

Developing country governments have limited resources to address conditions of poverty. Despite some limited success in increasing domestic revenue for governments, domestic public revenue (excluding ODA receipts) for all purposes, including sustainable development, is limited by high levels of poverty and inequality, accompanied by tax evasion and avoidance. According to Development Initiatives, only 40% of developing countries (mainly in UMICs) have been able to increase their ratio of tax revenues to the country's Gross Domestic Product (GDP) over the past five years.[22]

**Chart 2**, based on Development Initiatives data, describes the government non-grant revenue per capita between countries in the Global South, including UMICs, and High-Income Countries. This chart shows the huge disparities, with high-Income donor countries enjoying close to 40 times the revenue capacity of LMICs and seven times the capacities of UMICs. Revenue for all countries have been severely affected by the pandemic and are likely to be even more so in the future. But in the absence of ODA grants and other forms of external finance, governments in LICs and LMICs will have very limited capacity to address the social/economic shocks from the pandemic and be able to provide emergency or long-term social safety nets for their populations.

## CHART 3: TRENDS IN THE VALUE OF ACTUAL AND REAL ODA, 2010 TO 2019


## 3. MEETING THE UN TARGET: TRENDS IN THE VALUE OF ODA

### *3.1 Overall trends in ODA, 2010 to 2019*

**DAC donors have made commitments to maximize aid resources. However, since 2015, they have reduced ODA's capacity as a critical resource for achieving the SDGs. The value of both actual ODA and Real ODA has flat lined since 2017, standing at $150 billion (ODA) and $135 billion (Real ODA) in 2019.[a] Real ODA was more than $220 billion short of the $356 billion required to meet donors' long-standing commitment to the UN Target of 0.7% of their combined GNI. Real ODA performance in 2019 remains largely unchanged since 2015 at 0.26% of DAC members' GNI.**

**ODA enters the Decade of Action for the SDGs as a weakened resource to effectively catalyze progress. This situation has only worsened with the impacts of the COVID pandemic.**

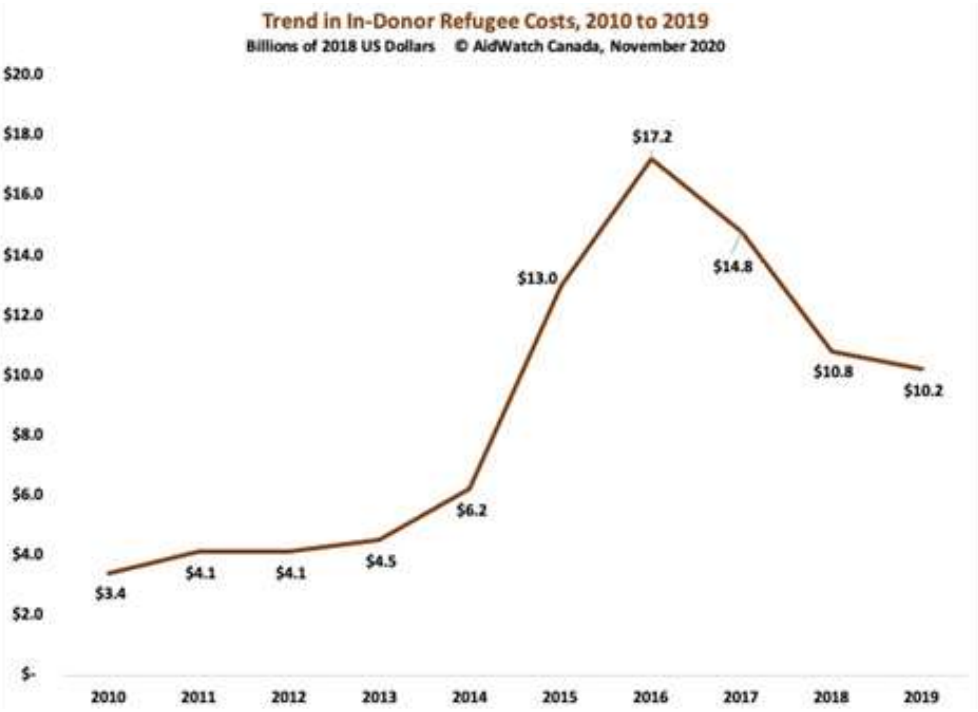
In 2019 DAC donors provided US $150.2 billion (2018 dollars) in ODA (**Chart 3**). While the value of ODA (in constant 2018 dollars) has increased by 17% since 2010, it has declined over the past four years (since 2016) by 2.3%.

In recent years there has been a significant ebb and flow in levels of DAC ODA. This has largely been caused by the fact that DAC donors can include in-donor country expenditures for refugees as part of their ODA.[23]

From the view of many in civil society, DAC members have adjusted rules on ODA in ways that artificially inflate the true value of their aid to developing countries. These inflationary

a Real ODA is Actual ODA less in-donor refugee and imputed student expenditures, debt relief, and taking account interest received on ODA loans, which is excluded in the calculation of net Actual ODA.

**CHART 4: TREND IN IN-DONOR REFUGEE EXPENDITURES, 2010 TO 2019**



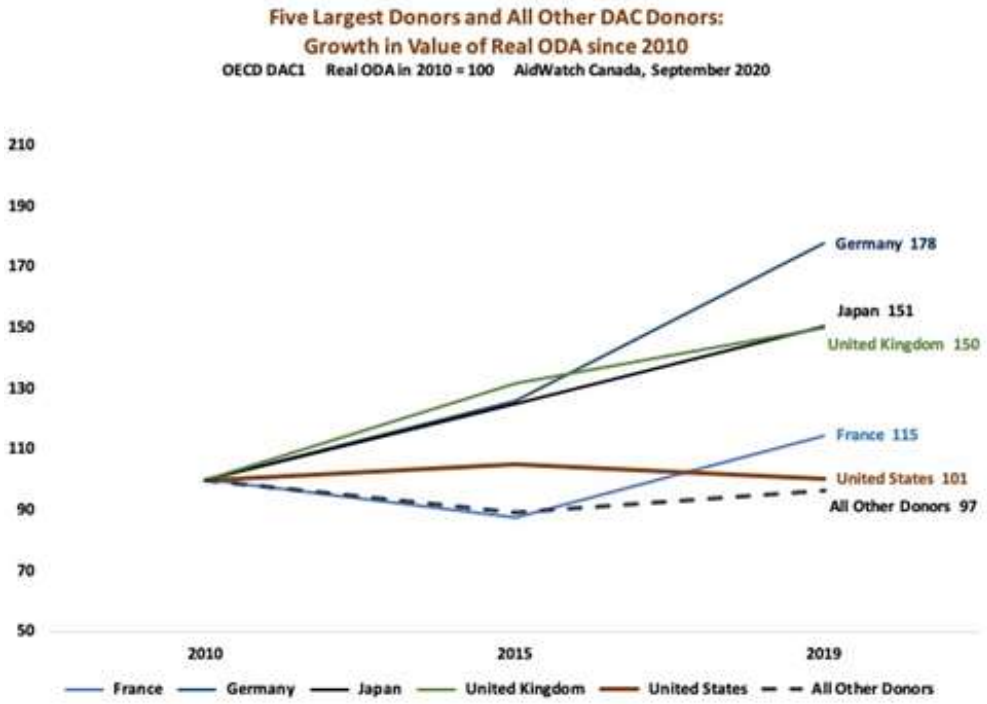

elements include: 1) expenditures made in donor countries for refugees for their first-year settlement; 2) imputed costs for developing country students studying in donor countries; 3) debt cancellation whose benefit is spread over many years or is double counted, and 4) the exclusion of interest received by donors for ODA loans. For several donors (e.g. Belgium, Finland, France, Germany, Italy and Spain), these expenditures and exclusions made the donor itself the largest country recipient of their own aid in 2019! 'Real ODA' is a metric that adjusts Actual ODA to take account of this aid inflation by subtracting these amounts.

**Chart 3** confirms that Real ODA increased by 16% over the past decade. But unlike Actual ODA, it rose by 6% since 2016, once in-donor costs were removed. After 2017, Real ODA has remained largely unchanged, standing at $135 billion in 2019. **Chart 4** provides additional information on donor refugee costs. As noted above, the changing value in ODA has been affected by the large expenditures by European donors to accommodate the massive influx of refugees in 2016, which has gradually declined since then. Nevertheless, in 2019 in-donor refugee costs were still 65% higher than in 2014.

In 2016 aid inflation elements accounted for 17% of ODA and approximately 25% of bilateral ODA. By 2019, these main determinants of aid inflation had declined to 10% of ODA and 15% of bilateral aid. While these changes are moving in a positive direction, aid inflation continues to be a major concern as underlying aid has been flat lined since 2017 (**Chart 3**).

Donor aid performance, which measures ODA as a share of their Gross National Income, has been equally disappointing. As indicated in **Chart 3** above, Real ODA performance stood at 0.26% in 2015 and remains unchanged in 2019. If the long-standing UN target of 0.7% had been achieved in 2019, DAC donors would have provided $356 billion, or $220 billion in additional aid resources. These aid resources could have provided a substantial investment in social infrastructure and livelihoods, which

## CHART 5: GROWTH IN NET ODA SINCE 2010 – TOP FIVE DONORS AND ALL OTHER DONORS




are currently under great threat because of the 2020 pandemic. At current atrophied levels, DAC ODA is in a weak position to catalyze investments (from government and other sectors) in achieving the SDGs in this Decade of Action or to effectively respond to the immediate and longer terms impact of the pandemic in the Global South.

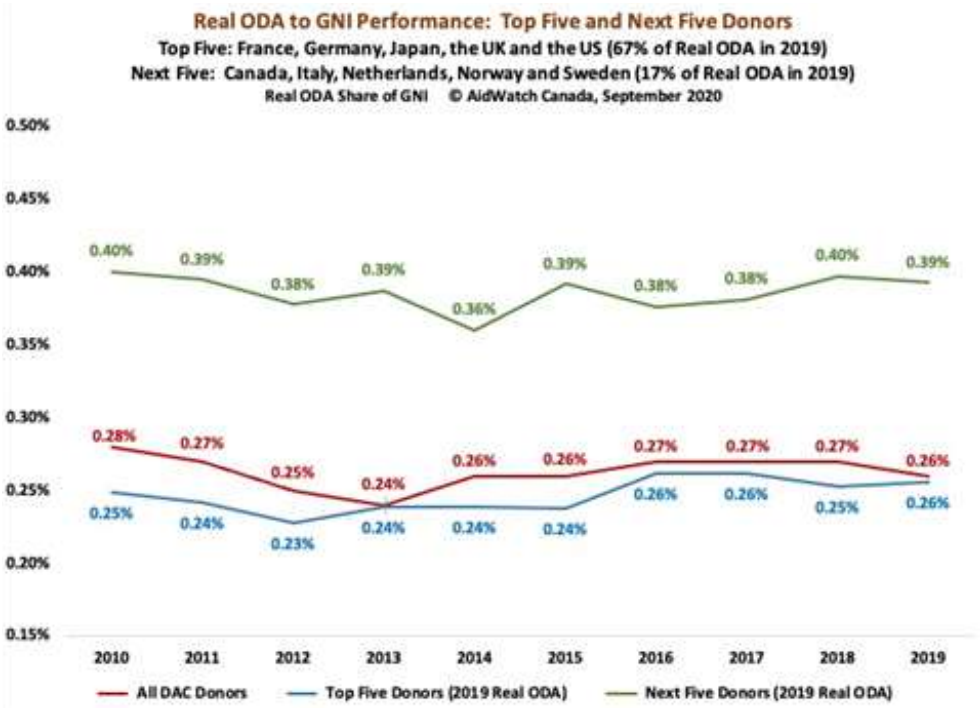
### *3.2 The Concentration of Aid among the Top Ten Donors*

**Aid is highly concentrated among a few donors. The vast majority of aid is provided by a relatively small number of donor countries, with the top ten donors providing 84% of DAC ODA in 2019. The five largest donors (the United States, Germany, the United Kingdom, Japan and France) provided 67% of the total and have been responsible for much of the growth in aid since 2010. The trends and priorities set by these top five donors have a major impact on the quantity and quality of aid (see later sections). But as a share of their GNI they have performed very poorly in 2019 (0.26%) when measured against the performance of the next five donors (0.39%), whose ODA/GNI joint ratio is 50% higher.**

Among the 30 DAC donors, the majority of aid is provided by a relatively small number of DAC donor countries. The top five, making up 67% of DAC ODA, include the United States, Germany, the United Kingdom, Japan and France. The next five donors ranked by quantity, (Sweden, the Netherlands, Norway, Canada and Italy) make up an additional 17%. The trends among these major donors, and particularly the top five, have a very significant impact on the quantity and quality of aid.

Since 2010 the top five donors have been responsible for most of the growth in ODA, compared to all other DAC donors (**Chart 5**). Measured against 2010 levels, Germany's aid increased by 78% and Japan's by 51%. Aid provided by the United Kingdom increased by a substantial 50% during the same period. For all other donors, ODA fell by 3% in this decade

**CHART 6: TOP FIVE AND NEXT FIVE DONORS: REAL ODA TO GNI PERFORMANCE**




(although aid from these donors did increase slightly after 2015).

However, when these amounts are measured against their Gross National Income, these top five donors did not perform well, when compared to the next five donors ranked by quantity (**Chart 6**). The top five donors' Real ODA measured 0.26% of their combined GNI in 2019, similar to the performance for DAC donors as a whole. But over the past decade their annual performance has been somewhat less than all donors together. What is remarkable is the difference with the next five donors. The performance of this group's Real ODA was 0.39% of their GNI in 2019, down slightly from 0.40% in 2018, making their performance more than 50% stronger than the top five donors.

Only three of the top ten donors (the United Kingdom, Sweden and Norway) reached the 0.7% of GNI target in 2019. Real ODA performance for both the United Kingdom (0.68%) and Denmark (0.69%) was slightly below the 0.7% target when significant aid inflation is taken into account. Two other DAC countries - Denmark and Luxembourg - also achieved the 0.7% target.

### *3.3 Responding to the Pandemic: Uncertain Projections for ODA in 2020*

**Agenda 2030, the climate emergency and an unprecedented pandemic affirm the urgent need for concessional development finance. However, donors have only made a commitment to protect or step-up aid "to the extent possible." In the wake of donors' massive expenditures to respond to the pandemic in their countries the prognosis for aid levels in 2020 is a cause for great concern. The bleakest change is the dramatic reduction in UK ODA as the British government has now abandoned its legislated mandate for the 0.7% target. DAC donor aid projections for 2021 have some positive markers but the overall level is uncertain.**

In the lead-up to the November 2020 DAC High Level Meeting (HLM) CSOs called for DAC members to "commit to provide timely support for partner countries to face the unparalleled crises in the wake of COVID-19," with aid resources that "match the severity of the crises and … additional to standing international commitments."[24]

The scale of resources required is huge and unprecedented. The UN and its partners launched an unprecedented $35 billion appeal for 2021, which has integrated a Global Humanitarian Response Plan for COVD-19.[25] The Access to COVID-19 Tools Accelerator (ACT-A), including the COVAX Facility, is coordinated by the WHO and GAVI, the Vaccine Alliance. In February 2021 announced a funding gap for 2021 of $23.2 billion, in the context of where nearly 130 poor countries had yet to administer a single vaccine.[26]

In November the G20 countries called for:

> *"immediate and exceptional measures to address the COVID-19 pandemic and its intertwined health, social and economic impacts, including through the implementation of unprecedented fiscal, monetary and financial stability actions, consistent with governments' and central banks' respective mandates, while ensuring that the international financial institutions and relevant international organizations continue to provide critical support to emerging, developing and low-income countries."*[27]

Much of the global response to date has been through multilateral organizations, particularly the IMF, the World Bank, and Regional Development Banks. Their response has focused on both the health emergency and the pandemic-induced global recession. The Center for Disaster Protection has tracked $115 billion in multilateral investments up to January 2021. Most of this finance is non-concessional loans ($101 billion) and includes agreed G20 bilateral debt relief estimated at $10 billion.[28]

DAC member ODA is also a critical resource in the pandemic response for low- and middle-income countries. But despite urgent appeals for support, the DAC HLM November 2020 Communiqué only reaffirmed "the important contribution of ODA to the immediate health and economic crises and longer-term sustainable development, particularly in Least Developed Countries (LDCs)." At the HLM, DAC members reiterated an April 2020 statement that "official development assistance, should, to every extent possible, be protected and stepped up, while expanding support to global public goods."[29] According to (incomplete) IATI data for 2020, their COVID-19 activity tracking tool reported only $3.7 billion in COVID-19 related investments by DAC donors (February 2021).[30]

Yet in the wake of the pandemic the prognosis for DAC donor aid levels in 2020 remains uncertain at best. The bleakest change is the dramatic reduction in UK ODA. In July 2020, the government announced a £2.9 billion (US$3.7 billion) cut for 2020, matching an expected significant reduction in UK's GNI for that year. Together these cuts have reduced UK's aid budget in 2020 by up to 20%, This disappointment was followed by another in November as the UK abandoned its commitment and legislated mandate for its ODA levels to reach the 0.7% target. Aid levels for 2021 will be reduced to 0.5% of UK's GNI, resulting in an estimated cut of £4.2 (US$5.4 billion) billion. The UK government predicts that aid levels for 2021 will be approximately $13 billion (compared to $19.8 billion in 2019).[31]

UNCTAD's 2020 Least Developed Countries Report states: "The GDP per capita of least developed countries (LDCs) is projected to contract by 2.6% in 2020 from already low levels, as these countries are forecast to experience their worst economic performance in 30 years"[32] In a recent overview of development finance, it warns that "as the pandemic response puts additional pressure on government budgets in developed countries, there is a risk that ODA flows will fall or

**TABLE 1: TOP TEN DONORS: ODA PROGNOSIS FOR 2020 AND 2021**

| Donor | ODA in 2019 (Current US$ Billions) | Prognosis for 2020 / 2021 (US$ billions, Current Prices) |
|---|---|---|
| United States | $33.9 | No change for 2020; 2021 to be determined |
| Germany | $24.1 | $1.8 billion increase for 2020, and $1.8 for 2021 Likely achieves 0.7% target in 2020 |
| United Kingdom | $19.3 | $3.7 billion cut for 2020 and $5.4 billion cut for 2021 |
| France | $12.0 | $14.2 billion projected and 0.52% of GNI in 2020; Increases to reach 0.55% of GNI by 2022 (reaching 0.7% when debt relief is included). |
| Japan | $11.6 | Japan's total ODA in fiscal year (FY) 2020 (April 2020 to March 2021) is estimated to increase by 3% compared to FY2019, including 1.2% in Foreign Ministry ODA Budget. |
| Netherlands | $5.3 | A small increase of $354 million expected for 2020 due to Covid-19 additions. US$608 added for 2021 for Covid additions. But expect budget to be lower in 2022 onwards. |
| Sweden | $5.2 | A small increase at $5.5 billion for 2020 despite decline in GNI; Committed to 1%, but in 2021 likely to follow GNI – estimated at $5.5 billion. |
| Italy | $4.7 | Mixed; Small decline in 2020 of $365 million (ActionAid Italy) or small increase (Italian Treasury, February 2020) |
| Canada | $4.5 | Expect about $1 billion in one-off increase for pandemic related aid in 2020/21. ODA base budget increases by Cdn$100 million in 2021/22. |
| Norway | $4.3 | $4.4 billion in 2020 and $4.3 billion in 2021 |

Source: Donor Tracker (https://donortracker.org/, February 2021; Devex, various articles.

stagnate at a time when the financial needs of the poorest countries to meet the Goals are increasing."[33] Development Initiatives provides an estimate of possible trends, based on 13 donors reporting to IATI aid data, indicating that bilateral aid fell by 26% for the period January to November 2020.[34]

A close examination of recent individual donor aid plans for 2020 and 2021 reveals a mixed prognosis for ODA going forward. **Table 1** sets out what is known as of December 2020 about the likely outcome for ODA in 2020 and 2021 for the ten largest donors that made up 84% of aid in 2019.[35] Whether sufficient to off-set the large decline in UK aid, all other large donors indicate either increases, Germany being the largest in volume, or no change from 2020. Other donors that have indicated aid increases in 2020 include Spain, Korea, New Zealand, Switzerland, Finland, Luxembourg and Ireland.[36]

How much of the stated plans for the ten largest donors will be eligible as ODA in 2020 is an important question. In May, the DAC made a preliminary ruling that "research for a vaccine / tests / treatment for COVID-19 would not count as ODA, as it contributes to addressing a global challenge and not a disease disproportionately affecting people in developing countries."[37] This determination is consistent with DAC eligibility criteria for research, which must have "the specific aim of promoting the economic growth or welfare of developing countries."[38]

However, DAC aid investments in 2020 and 2021 for the purchase and distribution of vaccines targeting populations in ODA-eligible countries would continue to count as donor ODA (see below). Some donors have objected to the DAC's interpretation of its guidelines on research, and further adjustments may be made in what can be reported as ODA in 2020. In a DAC survey conducted at the end of April 2020, members reported approximately $10 billion in aid to be committed to the pandemic response that year, an amount which was likely much higher by the end of 2020.[39]

In April 2020 a global coordinating mechanism, the Access to COVID-19 Tools (ACT) Accelerator, was launched by the WHO, France, the European Commission, the Bill and Melinda Gates Foundation, the Global Fund, the World Bank and Gavi. The purpose of this Accelerator is to draw together significant official and private sector finance around four pillars of work -- diagnostics, treatment, vaccines and health system strengthening – with a focus on the needs of low- and middle-income countries.[40]

COVAX is organized within the Accelerator to ensure the purchase, equal access and effective delivery of more than two billion vaccines to vulnerable people and health care workers in low- and middle-income countries by the end of 2021. It is coordinated by GAVI, the Vaccine Alliance, CEPI and the WHO. GAVI also supports the COVAX Advanced Market Commitment (AMC) focusing on vaccine access for least developed and low-income countries. The AMC will be supported by ODA, the private sector and philanthropy.[41]

As of January 2021, $6.2 billion was pledged in 2020 and an additional $23.2 billion for 2021 required, if COVID tools are to be deployed around the world.[42] The new Biden Administration in the United States make a $2 billion investment in COVAX in February 2021 with a further $2 billion forthcoming over the next two years.

How donors allocate their pandemic international response funds and the way that the DAC interprets its Reporting Guidelines will determine the share of these dedicated COVID-related funds that will be included in total ODA for 2020 and 2021. The DAC has been developing a COVID purpose code and marker for donor ODA reporting which will be implemented in 2021 for 2020 aid data.[43] This will enable tracking of ODA resources for bilateral and multilateral pandemic responses. Other data bases, such as IATI and the Center for Disaster Protection, are tracking all global investments irrespective of their concessionality.[44]

## 4. RESPONDING TO A TRIPLE CRISIS: A HUMANITARIAN, DEVELOPMENT AND CLIMATE EMERGENCY

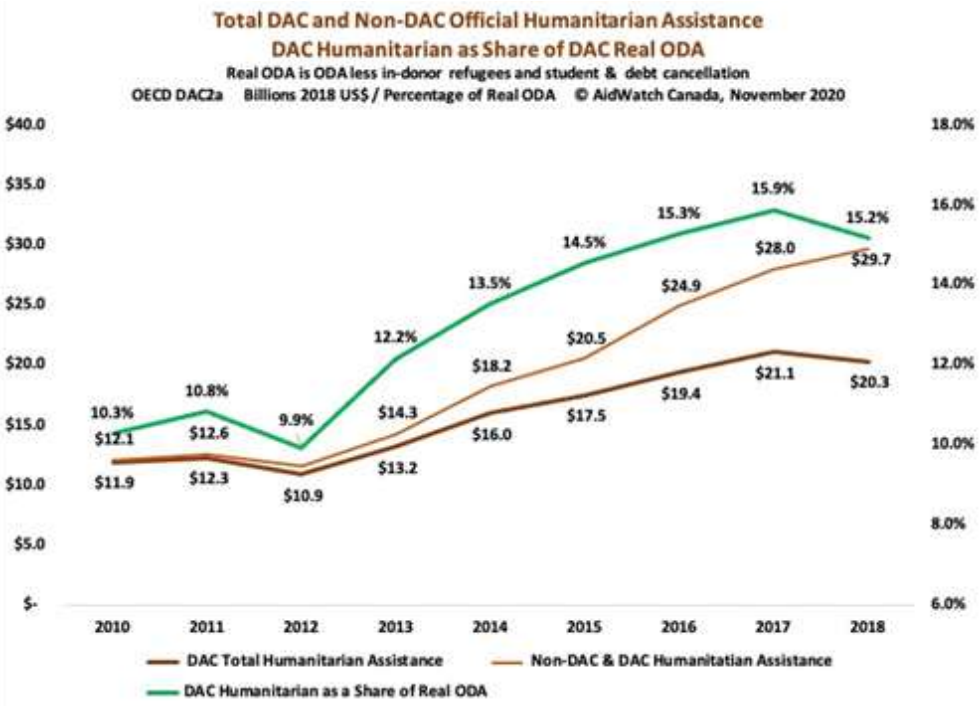
### *4.1 Trends in Humanitarian Assistance*

**There are currently over one billion people living in countries affected by long-term humanitarian crises, with more than half that population living in poverty. UN projections for the humanitarian situation for 2021 are stark. A record 235 million people are expected to need humanitarian assistance, with an appeal goal of $35 billion. The 2019 UN combined appeal goal was $30.4 billion, of which only $19.3 billion (63%) was committed.**

**In 2018, DAC donor humanitarian assistance declined slightly from $21.1 billion in 2017 to $20.3 billion. However, as a share of Real ODA, this assistance has been growing rapidly, increasing from 10.3% in 2010 to 15.2% in 2018. The three largest donors in 2018 - the United States, Germany and the United Kingdom - were responsible for 71% of DAC donor humanitarian assistance.**

**Over the past decade multilateral organizations have been the principal and**

## CHART 7: TRENDS IN HUMANITARIAN ASSISTANCE




**growing channel for humanitarian assistance. Almost two-thirds (63%) of humanitarian aid was provided through these organizations in 2018, up from 52% in 2010. In this same time period civil society organizations, primarily those based in donor countries, have been a channel for humanitarian assistance, accounting for about 30% of donor humanitarian resources annually.**

**Investments in disaster preparedness accounted for only 3% of humanitarian aid in 2018. Surprisingly this was slightly less than its share (3.2 %) in 2010, despite widespread weather-related events resulting from the growing climatic effects of global warming.**

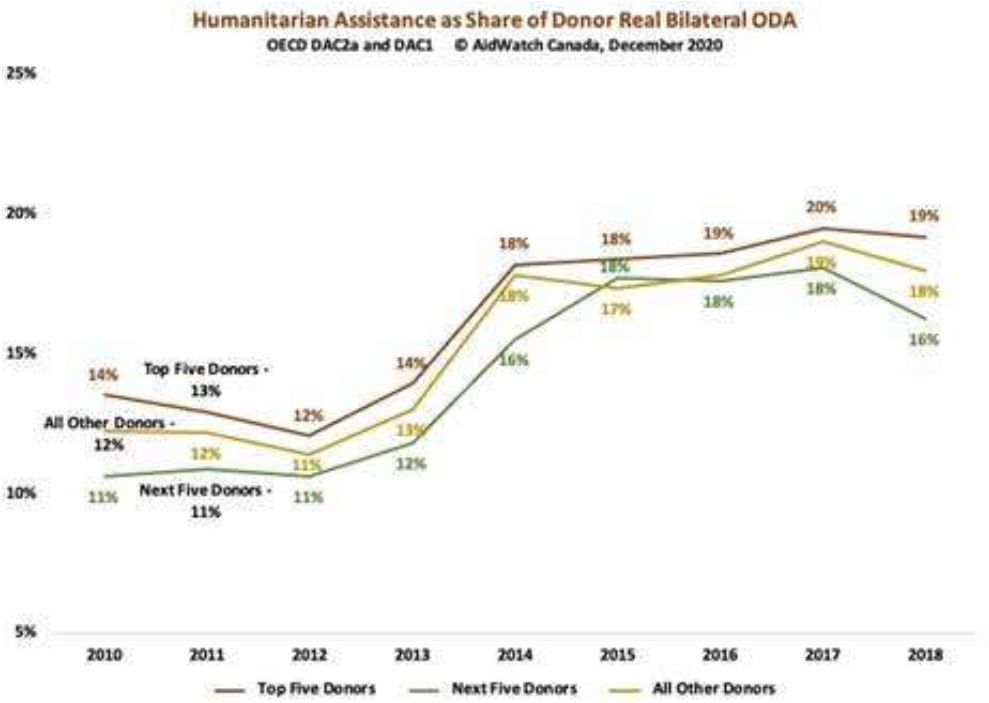
At the launch of the UN's *Global Humanitarian Outlook 2021*, UN Secretary-General António Guterres warned the international community that

> *"conflict, climate change and COVID-19 have created the greatest humanitarian challenge since the Second World War...[and] together, we must mobilize resources and stand in solidarity with people in their darkest hour of need."*[45]

The *Outlook* report is indeed bleak. The number of people in the world who will need humanitarian assistance is estimated to reach a record 235 million in 2021, increasing from one in 45 persons in 2019 to an unprecedented one in 33 persons in 2021. The financial appeal for humanitarian assistance delivered through the UN for those most in need is estimated to be $35 billion.[46]

The UN reports that the international community provided $17 billion for humanitarian assistance from January to November 2020. This represents less than half (44%) the record-setting $39 billion in resources sought during that year for a combined UN humanitarian appeals and the Global Humanitarian Response Plan for COVID-19.[47] The 2019 UN combined appeal goal was $30.4 billion, of which $19.3 billion (63%) was committed.[48] The donor community is failing

## CHART 8: DAC DONORS' HUMANITARIAN ASSISTANCE: SHARE OF REAL BILATERAL ODA




millions of people affected by conflict and humanitarian emergencies.

According to Development Initiatives' *2020 Global Humanitarian Report*, more than one billion people are living in countries affected by long-term humanitarian crises. The number of countries experiencing protracted crises (five or more years of UN appeals) has more than doubled over the past 15 years, from 13 to 31 countries. Within these countries of protracted crises more than half the population (53%) are living in poverty (below $3.20 a day).[49]

A critical question is whether the humanitarian system is equipped to handle increasing and more complex challenges. Humanitarian assistance has been growing significantly over the past decade, with DAC member contributions increasing by more than 70% from 2010 to 2018. In 2018, both DAC members and non-DAC countries (reporting to the DAC) recorded a total of $29.7 billion in humanitarian assistance, of which $20.3 billion was provided by DAC members. This was down from 2017 levels which stood at $21.1 billion for DAC members. (**Chart 7**) Since 2015 growth in humanitarian assistance has slowed, with only an 16% increase in DAC humanitarian assistance. As a share of Real ODA, DAC member contributions for humanitarian assistance has grown more rapidly than overall aid, with its share of aid increasing from 10.3% in 2010 to 15.2% in 2018.

In the past three years most of the growth in non-DAC member humanitarian aid has been provided by Middle Eastern donors. These donors have mainly focused on the humanitarian crisis in Syria (Turkey, $7.4 billion in 2018; United Arab Emirates, $1.2 billion; and Saudi Arabia, $0.8 billion).

Development Initiatives tracks public and private sources of humanitarian assistance from UN and OECD DAC sources. According to their 2020 *Report*, total humanitarian assistance (all sources) fell in 2019 by $1.6 billion from a high of $31.2 billion in 2018 to $29.6 billion in 2019.[50] This decline is the

**TABLE 2: TOP 20 RECIPIENTS FOR HUMANITARIAN ASSISTANCE, 2016 TO 2018 ANNUAL AVERAGE**

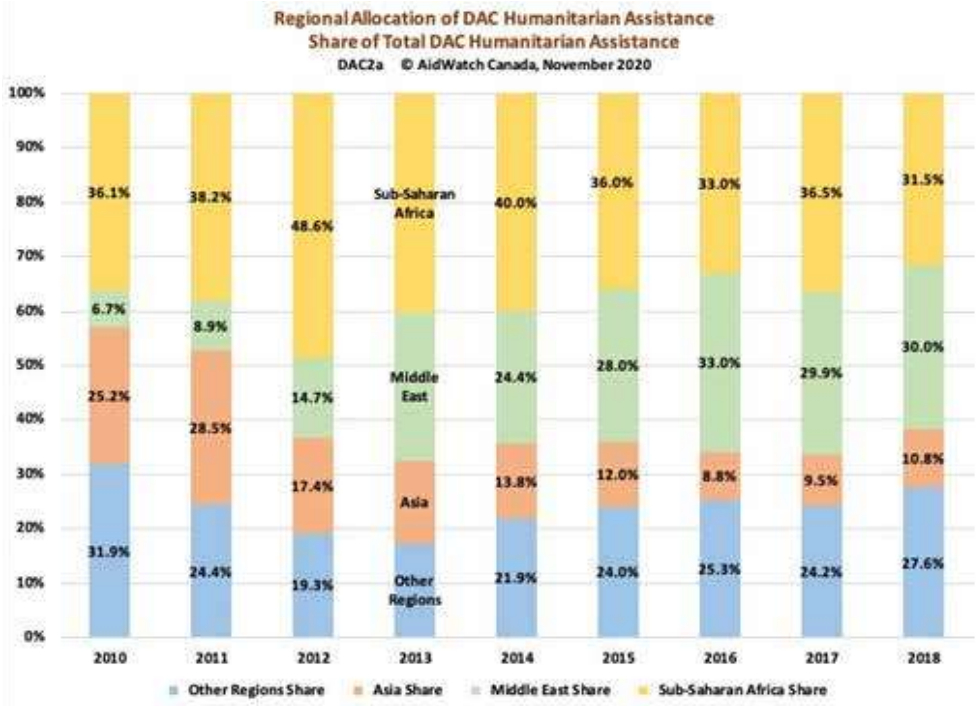
| Recipient (million of US$) | Three Year Average (2016 to 2018) | Share of Total Humanitarian Assistance |
|---|---|---|
| Syria | $2,034 | 12.8% |
| Iraq | $1,067 | 6.7% |
| Yemen | $957 | 6.0% |
| South Sudan | $899 | 5.6% |
| Somalia | $625 | 3.9% |
| Ethiopia | $594 | 3.7% |
| Nigeria | $474 | 3.0% |
| Turkey | $465 | 2.9% |
| Lebanon | $423 | 2.7% |
| Democratic Republic of Congo | $370 | 2.3% |
| West Bank & Gaza Strip | $346 | 2.2% |
| Afghanistan | $327 | 2.1% |
| Jordan | $327 | 2.0% |
| Sudan | $290 | 1.8% |
| Bangladesh | $224 | 1.4% |
| Central Africa Republic | $194 | 1.2% |
| Kenya | $179 | 1.1% |
| Myanmar | $162 | 1.0% |
| Uganda | $157 | 1.0% |
| Ukraine | $134 | 0.8% |
| Top 20 Recipients | $10,411 | 65% |

result of a reduction in official humanitarian assistance in that year, particularly on the part of the UAE and EU. For humanitarian aid from private sources, Development Initiatives reported an increase over the past three years, from $5.5 billion in 2016 to $6.4 billion in 2019. These donors consistently make up about a fifth of total humanitarian aid from all sources. Development Initiatives estimates that individual donors contributed $4.1 billion in 2019 (14% of total humanitarian assistance, all sources).[51]

The share of humanitarian assistance in aid reported by different DAC donors varies considerably. Overall, this share has increased from 12% in 2010 to 18% in 2018. But among donors there are significant differences as indicated in **Chart 8** below. It provides an overview of humanitarian assistance's share of Real Bilateral Aid for both the top five donors (the United States, the United Kingdom, Germany, Japan and France) and the next five donors (Canada, Italy, the Netherlands, Norway and Sweden).

The priorities for humanitarian assistance are very dependent upon how this aid is concentrated among DAC donors. The three largest humanitarian donors - the United States, Germany and the United Kingdom - were responsible for just under three-quarters (71%) of DAC donor humanitarian assistance in 2018 (76% if France and Japan are included). On average these top five DAC donors provided the largest share of their Real Bilateral Aid

## CHART 9: REGIONAL ALLOCATION OF DAC HUMANITARIAN ASSISTANCE




(19%) as humanitarian assistance in that year. Germany (at 20%) and the United States (at 24%) delivered more than a fifth of their bilateral assistance as humanitarian aid. The next five donors were responsible for only 14% of humanitarian assistance in 2018, which represented 16% of their bilateral assistance, slightly down from 18% in the previous year. The other 20 DAC donors delivered the remaining 10% of humanitarian assistance.

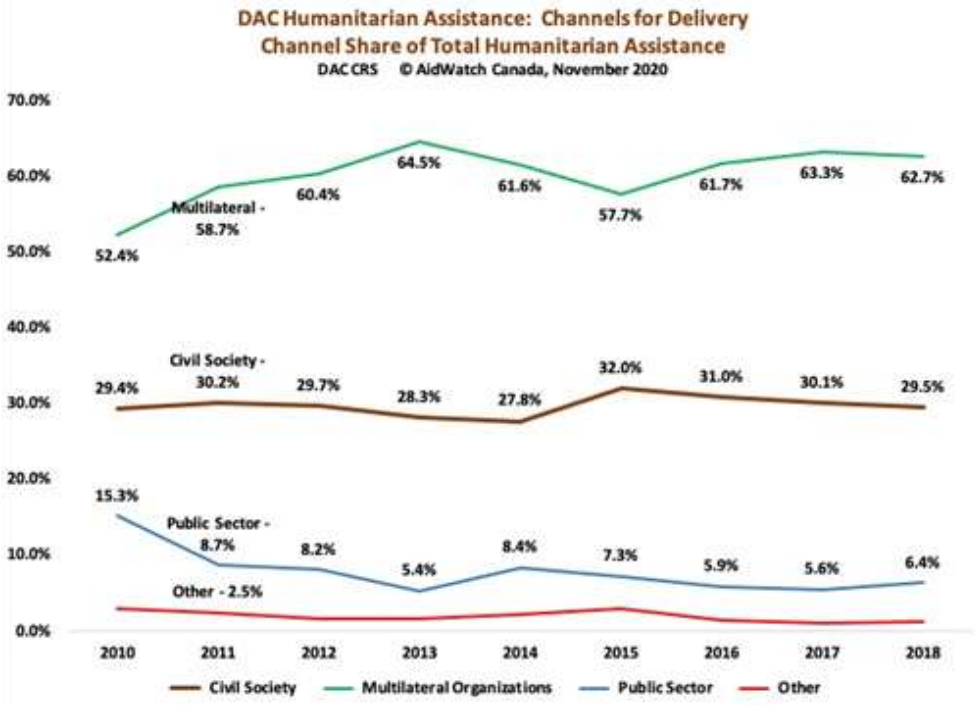
A second question is how humanitarian assistance has been allocated. Table 2 sets out the top 20 humanitarian recipients (with three-year annual average receipts for 2016 to 2018). As indicated, five of the top 10 recipients are located in the Middle East, including Turkey.

**Table 2** provides an overview on allocation trends in humanitarian assistance from 2016 to 2018. From 2016 to 2018 the top 20 recipients for DAC humanitarian assistance accounted for 65% of this aid. During that time there has been a concentration on war-affected countries in the Middle East, although humanitarian assistance to some African countries, with long-standing humanitarian needs, also continue to be a priority. Nine of the top 20 recipient countries are African.

Since 2015, Sub-Saharan Africa has accounted for about a third of humanitarian assistance, down from 40% in 2014. (**Chart 9**) The Middle East's share grew from 25% in 2014 to 30% in 2018. However, when regional non-DAC donors such as UAE, Saudi Arabia and Turkey are taken into account the total humanitarian aid provided to Middle East countries is more than double - $11.3 billion in 2018 with only $5.5 billion of this amount provided by DAC donors.[52] Other regions beyond the Middle East and Africa, including Europe (e.g. Ukraine), received over 25% of DAC humanitarian assistance. Asia's share of this assistance (Afghanistan, Myanmar and Bangladesh) declined sharply from 29% in 2011 to only 11% in 2018.

DAC donors have devoted increasing amounts of their humanitarian assistance to both the

## CHART 10: MAIN CHANNELS FOR DELIVERY OF HUMANITARIAN ASSISTANCE




coordination of their efforts and responding to post-emergency reconstruction needs, with this assistance almost doubling from 13.3% of humanitarian aid in 2010 to 24.9% in 2018. But disaster preparedness continues to be a low priority, remaining at 3% of humanitarian aid in 2018, equal to its share in 2010 at 3.2%. Donors continue to ignore the need for preparedness in the face of widespread warnings of increased weather-related events resulting from the climatic effects of global warming.

**Chart 10** identifies the main channels for the delivery of DAC humanitarian assistance, demonstrating that multilateral organizations have been the principal and growing channel over the past decade. Almost two-thirds (63%) of humanitarian aid was provided through multilateral organizations in 2018, up from 52% in 2010. No doubt this is due to the fact that DAC donors have responded to various UN appeals. However, it is also a result of the use of ear-marked finance by donors in particular humanitarian situations, ones which have been managed by multilateral organizations. According to Development Initiatives, unearmarked funding through UN agencies, which provides flexibility to respond to "forgotten" emergencies, accounted for only 14% of donor contributions to these organizations in 2019.[53]

Civil society organizations, mainly based in donor countries, have been a consistent channel for humanitarian assistance, at about 30% of donor resources annually, over the decade. The largest INGOS frequently combine donor funds with money raised from the public in their home countries. The role of public sector institutions as a conduit for humanitarian assistance has declined significantly over the past decade, from 15% in 2010 to 6% in 2018. Both these trends raise concerns about the lack of progress for the 2016 Grand Bargain, which committed signatories to channel at least 25% of humanitarian assistance to local and national actors as directly as possible. Development Initiative's analysis suggests that direct funding

to local actors declined from 3.5% in 2018 to 2.1% in 2019.[54]

### *4.2 Aid to Fragile Contexts*

**The DAC has identified 57 countries as having fragile contexts. This broad sweep of countries sometimes makes it difficult to differentiate an analysis of donor measures addressing fragility from those addressing social, economic and political conditions of extreme poverty.**

**This section focuses on 30 of the most affected countries as identified in the Fragile State Index (2020) produced by the Fund for Peace. These 30 countries were seen to be aid priorities in the 2016 to 2018 period, with 37% of Real Aid disbursements and 57% of humanitarian assistance directed to them, though unevenly. Of the $47 billion allocated annually between 2016 and 2018, the top five fragile countries received 39%, with the next five receiving 25%. Seven countries, the mostly severely war-affected, received more than 40% of their country assistance as humanitarian assistance for emergency relief (Syria, Iraq, South Sudan, Yemen, Somalia, Sudan, Central Africa Republic).**

**From 2014 to 2018 aid in fragile contexts focused on long-term development goals (net of humanitarian assistance) represented about 75% of country aid. Health, including reproductive health, and support for governance have been key sectoral priorities. But support for agriculture (5%) and education (6%) was limited in countries where the majority of poor and vulnerable people live in rural settings and education infrastructure is weak. Only 4% of aid was directed to "conflict, peace and security".**

**CSOs are more important as development actors in fragile situations (delivering 26% of this aid) compared to bilateral aid for all countries (18% in 2018).**

**This mix of humanitarian and development resources demonstrates the potential for greater synergies in fragile contexts, as set out in the DAC Recommendation for the humanitarian, development and peace nexus.**

A large portion of humanitarian assistance focuses on countries with considerable challenges relating to conflict and/or severe governance capacities to protect the rights of their citizens. These have been described as "fragile context". While an important focus, it has been hampered by no agreed upon definition of what constitutes a fragile context.

The OECD DAC uses a broad definition of "fragile contexts," which is based on a measure of violence, injustice, poor governance, health, poverty and inequality. It has established a set of indicators that form a multi-dimensional fragility framework, measuring "fragility on a spectrum of intensity across five dimensions: economic, environmental, political, security and societal."[55] In 2020, the DAC identified 57 countries that fit this criteria, or 40% of all ODA-eligible developing countries.[56] With the exception of five countries (Venezuela, Iran, Equatorial Guinea, Iraq and Libya), the remaining 52 countries make up 60% of all Least Developed, Low-Income and Lower Middle-Income Countries. The DAC list includes 36 of the 46 countries in Sub-Saharan Africa and 36 of the 48 Least Developed and Low-Income Countries. Given this rather broad sweep, it can sometimes be difficult to distinguish an analysis of donor measures addressing fragility from those addressing social, economic and political conditions affected by extreme poverty. While a factor in fragility, the latter conditions are common across many of the poorest developing countries.

The World Bank has a narrower definition of fragile and conflict affected situations.[57] Its analysis focuses on three conditions: 1) Low-income countries eligible to receive support through their International Development Association (IDA) window of finance with a low

**TABLE 3: 30 FRAGILE AND CONFLICT AFFECTED COUNTRIES**

1. Yemen
2. Somalia
3. South Sudan
4. Syria
5. Congo, Democratic Republic
6. Central African Republic
7. Chad
8. Sudan
9. Afghanistan
10. Zimbabwe
11. Burundi
12. Cameroon
13. Haiti
14. Nigeria
15. Mali
16. Iraq
17. Eritrea
18. Niger
19. Libya
20. Ethiopia
21. Myanmar
22. Guinea Bissau
23. Uganda
24. Pakistan
25. Congo, Republic
26. Mozambique
27. Venezuela
28. Kenya
29. Liberia
30. Mauritania

score (3.0 or less) on their Country Policy and Institutional Assessment (CPIA) index; and/or 2) The presence of a United Nations or regional peace-keeping/building operation in the country during the previous three years; and/or 3) The flight across borders of at least 2,000 refugees or more per 100,000 population. The World Bank lists 32 countries for 2021 of which four are considered "high-intensity conflict," 13 are "medium-intensity conflict," and 15 countries are considered situations of "high institutional and social fragility."[58]

The Fund for Peace is a US-based not-for-profit focusing on issues of violent conflict, state fragility, security and human rights. It produces an annual multi-dimensional assessment in its *Fragile States Index Report*.[59] This Index ranks 178 countries against more than 100 indicators for social cohesion, economic conditions, political processes and rights, and social and cross-cutting conditions. Their analysis of these conditions assesses trends for all countries over time, rather than ranking countries as "fragile" per se. With respect to conditions affecting fragility, the 2020 *Report* lists four countries as warranting a "very high alert," five countries a "high alert," and 22 countries designated as "alert," for a total of 31 countries.[60]

In order to analyze the most serious fragile contexts this chapter is based on the 30 most seriously affected countries derived from the Fragile States Index for 2020. All of these countries appear on the OECD DAC list (all but 4 countries ranking below 29) and all but 5 appear on the World Bank's recent list of 32 countries experiencing fragility. This list of 30 fragile and conflict affected countries is set out in **Table 3**.

Of these 30 countries, the vast majority (22) are designated as being Least Developed or Low-Income. Twenty-one are located in Sub-Saharan Africa. Seventeen countries are currently experiencing high or medium intensity conflict. Approximately 1.1 billion people live in these 30 countries with many being highly vulnerable – 38% are living in poverty, requiring urgent attention from the international community.

How much aid have these countries received in recent years? Net of debt cancellation, annual ODA to these 30 countries totalled $47 billion (annual three-year average, 2016 to 2018). (See **Table 4**). Over this period these top 30 fragile situations received 32% on average of DAC Real ODA, and 57% of total humanitarian assistance.

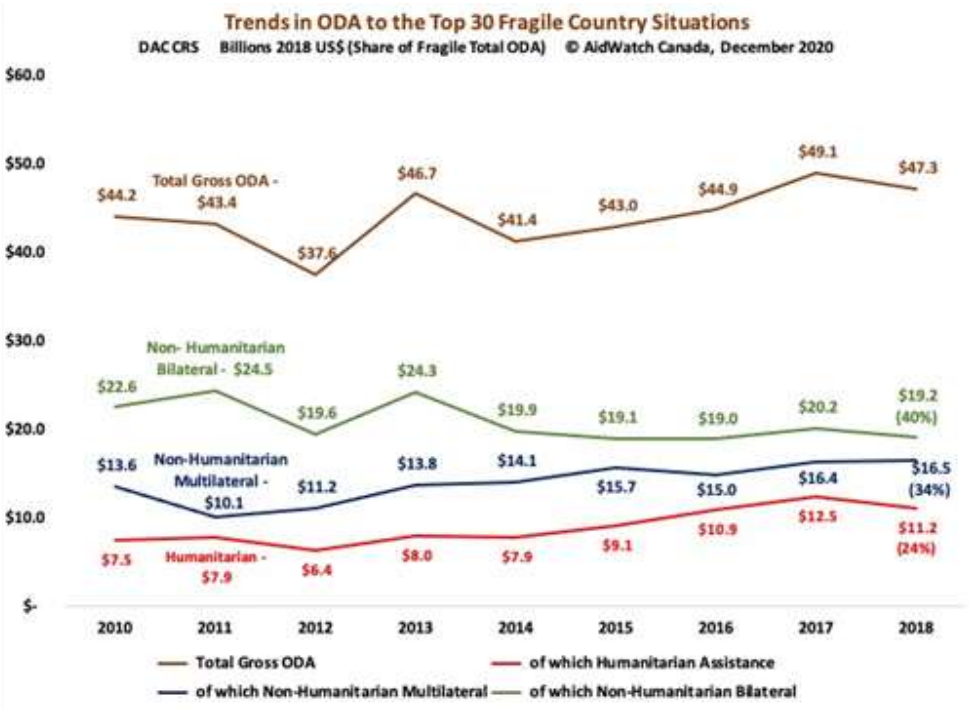
But this aid is unevenly disbursed. The top five fragile situations received 39% of the $47 billion; the next five only 25%. Seven countries, primarily those that are severely war-affected, received more than 40% of their country assistance as humanitarian assistance for emergency relief (Syria, Iraq, South Sudan, Yemen, Somalia, Sudan, Central Africa Republic). In these 30 fragile situations as a whole, humanitarian assistance comprised 25% of their aid.

**TABLE 4: ODA TO TOP 30 FRAGILE SITUATIONS IN 2018, AVERAGE COUNTRY RECEIPTS, 2016 TO 2018**

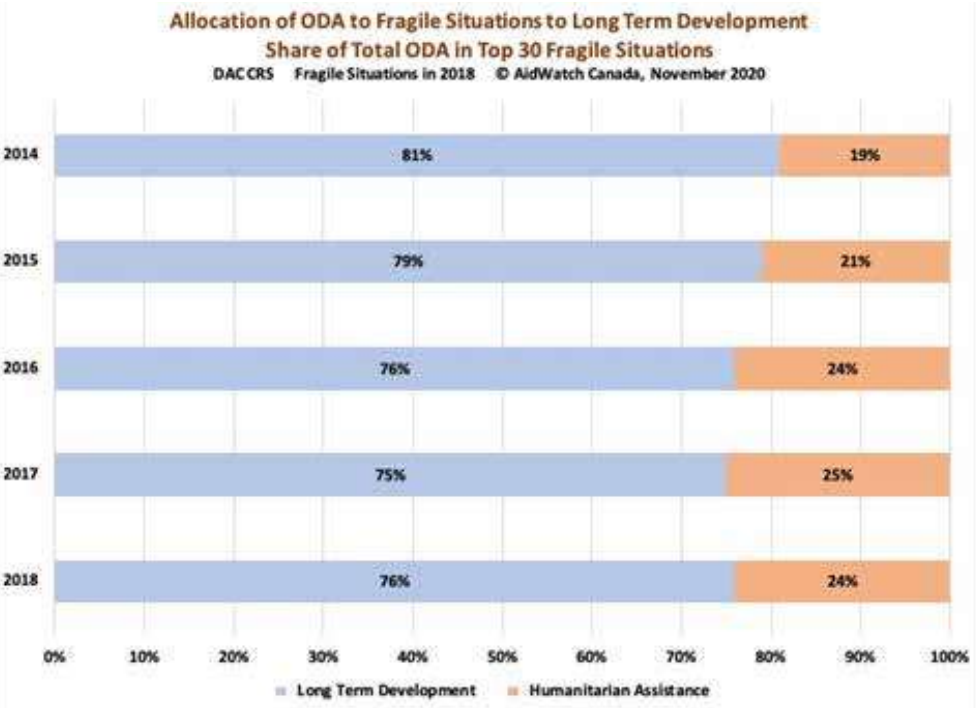
| Country | Total ODA, Three Year Average, 2016 to 2018 | Country | Humanitarian Assistance, Share of Total Country ODA |
|---|---|---|---|
| Ethiopia | $ 4,646.2 | Syrian Arab Republic | 73% |
| Afghanistan | $ 4,006.1 | Yemen | 63% |
| Nigeria | $ 3,297.6 | South Sudan | 58% |
| Pakistan | $ 3,182.6 | Somalia | 52% |
| Syrian Arab Republic | $ 3,124.9 | Iraq | 51% |
| Kenya | $ 2,905.5 | Sudan | 44% |
| DRC | $ 2,537.2 | Central African Republic | 42% |
| Iraq | $ 2,402.8 | Burundi | 32% |
| Uganda | $ 2,018.8 | Libya | 29% |
| Mozambique | $ 1,948.9 | Chad | 23% |
| South Sudan | $1,854.7 | Venezuela | 21% |
| Yemen | $ 1,743.6 | DRC | 19% |
| Myanmar | $ 1,664.5 | Nigeria | 18% |
| Mali | $ 1,465.9 | Ethiopia | 17% |
| Somalia | $ 1,446.6 | Niger | 15% |
| Niger | $ 1,190.1 | Haiti | 15% |
| Cameroon | $ 1,177.7 | Zimbabwe | 12% |
| Haiti | $ 1,069.3 | Myanmar | 12% |
| Sudan | $ 827.2 | Mauritania | 11% |
| Zimbabwe | $ 782.2 | Uganda | 11% |
| Chad | $ 756.1 | Mali | 11% |
| Liberia | $ 692.8 | Afghanistan | 11% |
| Central African Republic | $ 594.9 | Eritrea | 9% |
| Burundi | $ 594.5 | Kenya | 8% |
| Mauritania | $ 372.8 | Congo | 8% |
| Libya | $ 289.0 | Cameroon | 8% |
| Guinea-Bissau | $ 165.3 | Liberia | 8% |
| Congo | $ 144.5 | Pakistan | 7% |
| Venezuela | $ 97.2 | Mozambique | 2% |
| Eritrea | $ 71.6 | Guinea-Bissau | 1% |
| Total 30 Countries | $47,071.1 | Total 30 Countries | 25% |

Source: DAC CRS; Millions of US$

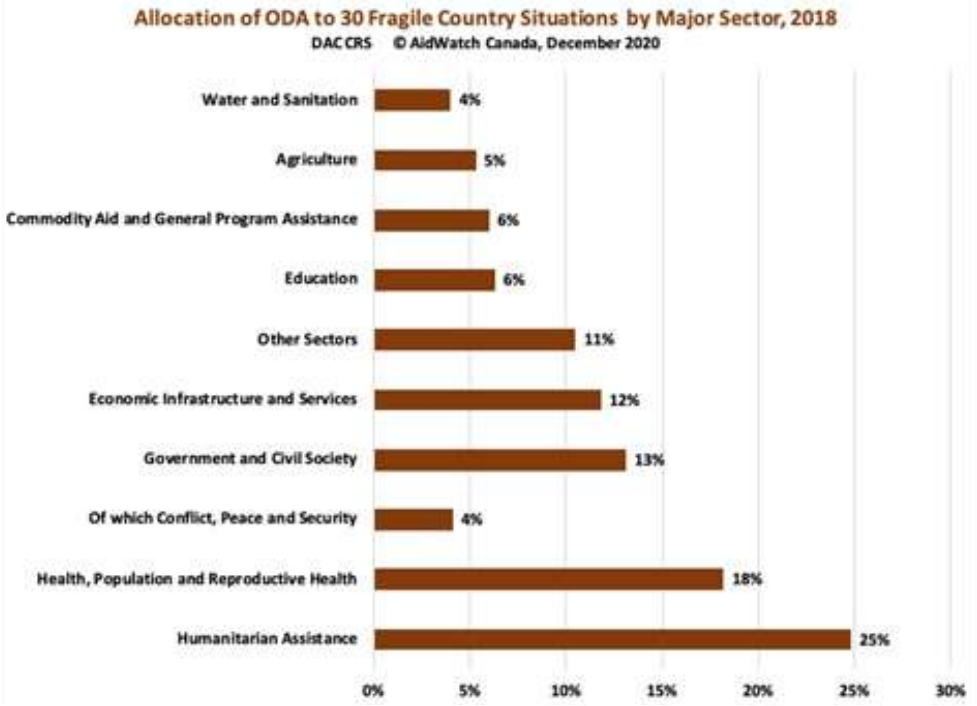
## CHART 11: ANNUAL (GROSS) ODA DISBURSEMENTS TO 30 COUNTRIES WITH FRAGILE CONTEXTS



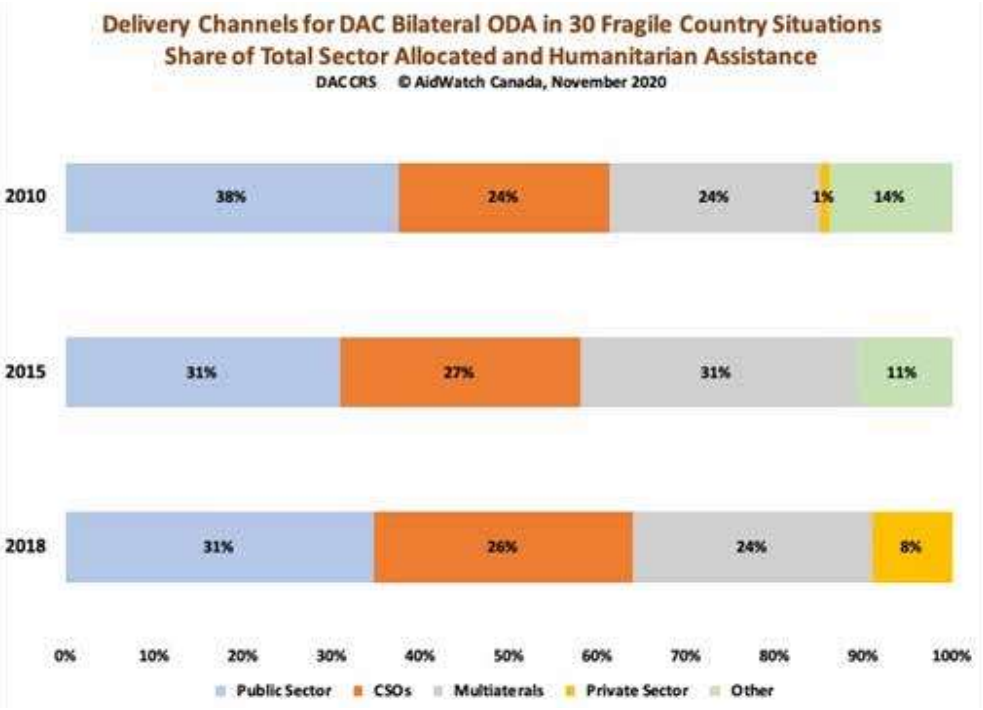

## CHART 12: HUMANITARIAN / LONG TERM DEVELOPMENT SHARE IN ODA TO FRAGILE SITUATIONS



## CHART 13: SECTOR ALLOCATIONS OF AID TO 30 FRAGILE COUNTRY SITUATIONS, 2018




## CHART 14: MAIN CHANNELS OF DELIVERY FOR BILATERAL AID IN 30 FRAGILE COUNTRY SITUATIONS



DAC aid to these 30 countries has remained fairly constant over the past decade. Significantly, this aid has increased by 14% since 2014, from $41 billion in 2014 to $47 billion in 2018. (**Chart 11**) In 2018 24% of this aid was provided as humanitarian assistance, up from 19% in 2014. This was mainly the consequence of emergency humanitarian responses to conflicts in the Middle East. Aid oriented to long-term development goals (net of humanitarian assistance) has been delivered by both multilateral organizations (34% of total ODA to these countries) and through bilateral channels (40%). This division between humanitarian and long-term development goals in aid to fragile contexts has been relatively constant over the past five years (2014 to 2018). (**Chart 12**)

**Chart 13** provides an overview of the share of development-oriented aid delivered in 2018 to different sectors in the 30 fragile countries. Health (18%), including reproductive health services, and support for governance (13%) are key sectoral priorities. Aid to informal economic and financial institutions has also been a significant priority (12%). Under governance only 4% of aid is directed to "conflict, peace and security" concerns. Support for agriculture (5%) and education (6%) is limited in countries where the majority of poor and vulnerable people live in rural settings or the education infrastructure is weak.

It is important to identify and examine the delivery channels for (bilateral) assistance to the 30 fragile countries. The public sector (at 31% of sector allocated and humanitarian aid in 2018) has been carried the primary responsibility for delivering bilateral aid to these countries over the past decade. (**Chart 14**) Civil society organizations have also played a major role (26% in 2018) as have multilateral organizations (24% in 2018). CSOs are more important development actors in fragile situations than for bilateral aid to all countries (18% in 2018). In the past decade, the private sector has been a minor aid actor in the 30 countries.

### *4.3 Addressing the Climate Emergency: Trends in Climate Finance*

**Developed countries are likely to miss their goal to commit $100 billion in annual climate finance by 2020. Comprehensive comparable data on these commitments is still not accessible. As well, ten years after this goal setting (2009) the rules as to what counts as climate finance have still not been established.**

**Donors are expected to report about $63 billion in official climate flows (both concessional and non-concessional). However, Oxfam has estimated that in 2018 a more accurate amount for developing country recipients is $19 billion to $22.5 billion in total concessional flows for climate finance.**

**If bilateral climate finance is adjusted for mainstreamed climate finance and grant equivalency in loans, compared to 2014, total real bilateral climate finance by DAC donors 2018 has actually fallen by $2.9 billion. At $11.6 billion this performance is far from the $37.3 billion target inside the $100 billion commitment.**

**The fact that Germany, Japan and France, alongside the MDBs are the largest climate donors ensures that the majority of this finance is delivered as loan finance, rather than as grants.**

The year 2020 has been one of compounding climatic and pandemic emergencies.[61] UN Secretary General Guterres has issued an urgent call to action, warning that

> *"humanity is at war with nature. … We are facing a devastating pandemic, new heights of global heating, new lows of ecological degradation and new setbacks in our work towards global goals for more equitable, inclusive and sustainable development."*[62]

By the end of 2020 developed countries were supposed to be providing $100 billion in annual

climate finance to ensure a fair and effective implementation of the 2015 Paris Agreement. While up-to-date estimates for 2020 are not yet available, analysis based on 2018 donor reports to the UN Framework Convention on Climate Change (UNFCCC) and the OECD DAC suggest that donors' actual commitments to international climate finance are far off this mark.[63]

In 2016 the OECD DAC produced a roadmap to achieve the $100 billion 2020 commitment, one that included both private sector and official public sources. The expected breakdown for 2020 estimated the following:

1. $37.3 billion from bilateral developed country donors;

2. $29.4 billion from multilateral Development Banks and climate funds that can be attributed to donor countries through their core contributions to these institutions; and

3. $33.2 billion from private sector investments.[64]

As agreed at the UNFCCC, public finance towards the $100 billion target includes both concessionary (i.e. grants and loans at below market rate that count as ODA) and non-concessionary resources (e.g. loans at market terms). Multilateral Development Banks provide additional climate finance from internal resources generated through their activities that are not directly attributable to donor countries.[65]

The OECD DAC reported that developed country donors reached $63 billion in public climate finance in 2018, up from $57 billion in 2017.[66] This amount comes close to the 2020 target of $66.7 billion for bilateral and multilateral public resources predicted in the OECD roadmap for the $100 billion commitment. However, CSOs have raised major concerns about the inclusion of large amounts of non-concessional finance in this target and reported performance, as well as the ways in which donor concessional climate finance is calculated. Oxfam estimates that a more accurate picture of total concessional climate finance is considerably lower than this reported performance, ranging from $19 billion to $22.5 billion in 2018.[67]

What are the differences?

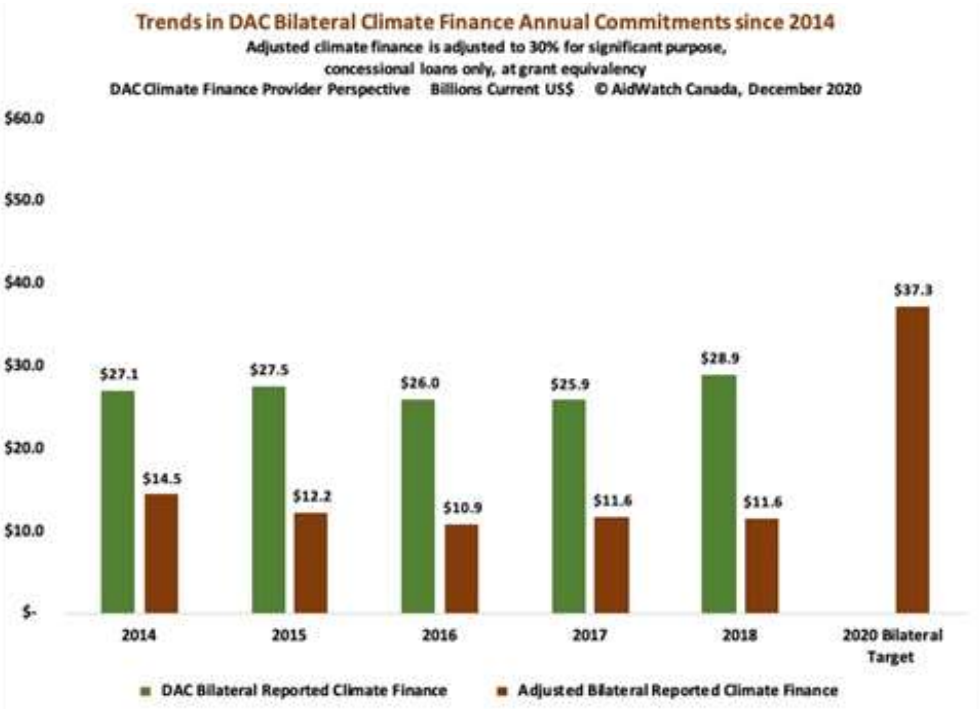
*i) Bilateral Climate Finance*

The DAC reported $32.7 billion in bilateral climate finance in 2018. There are two aspect of bilateral climate finance that overstate this level of donors' bilateral annual commitments to address the climate emergency.

First, a growing portion of bilateral climate finance is being integrated into projects where climate objectives complement but are not the main goals. In fact, projects where climate finance was the principal aim represented only a third of climate finance in 2018 as opposed to 67% where climate finance was integrated into projects which had other main objectives. Mainstreaming of climate objectives can be an important part of effective partnerships with developing countries as it contributes to an increase in their resilience in the consequences of a rapidly changing climate. What is at question is not just the degree to which this mainstreaming is a reality in these projects, but also how much of a project's total budget/ disbursements should be included as relevant to the $100 billion climate commitment.

Unfortunately, there are no agreed upon rules for how donors calculate the rate of inclusion of climate finance in mainstreamed projects. Donors have the discretion to adopt their rules with the result that counting amounts ranging from 100% of a project budget to as low as 20%. While acknowledging the importance of mainstreaming, both this chapter and Oxfam's recent Shadow Report assess the inclusion of mainstreamed climate finance projects at an average rate of 30% of their budget/ disbursements and apply this ratio for all donors. Now at $18.4 billion instead of $32.7

**CHART 15: TRENDS IN ADJUSTED BILATERAL CLIMATE FINANCE**




billion, this adjustment lowered donor bilateral climate finance by 49% in 2018.

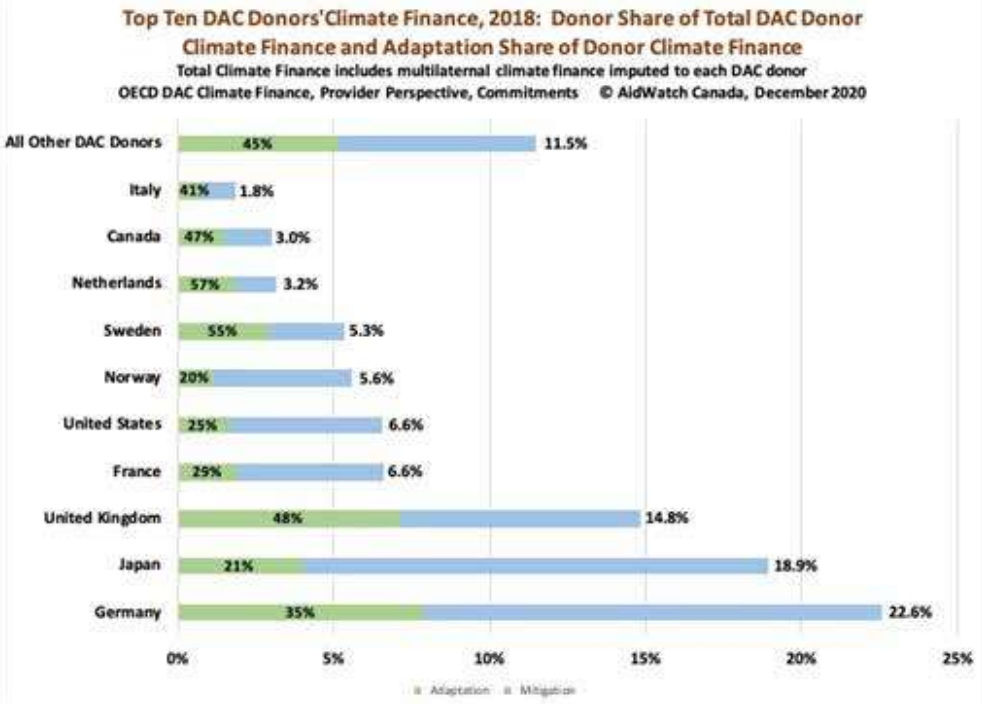
A second concern related to concessional loans. These make up a large share of bilateral climate finance, accounting for more than 33% of this climate finance (adjusted for mainstreaming) in 2018 (and 44% of donor adjusted mitigation projects). Given that developing countries bear little historical responsibility for carbon emissions, they should not be put in a position of paying donor countries for loan financing for urgently needed adaptation and mitigation measures in their countries. Instead, all bilateral concessional loans should be included in the $100 billion target at their grant equivalency (i.e. the degree to which lower than market terms for loans is a net benefit to the partner country). This adjustment, as well as excluding $1.1 billion in non-concessional loans, reduces DAC-reported bilateral climate finance in 2018 by a further $3.9 billion to $14.5 billion.[68]

**Chart 15** describes the resulting trends for DAC-reported and real (fully adjusted) bilateral climate finance. The DAC climate finance data suggests that donors, with at total of $28.9 billion in bilateral climate finance in 2018, are approaching the $37.3 billion 2020 target. However, if the adjustments described above are taken into account, the picture is considerably less optimistic. By this reckoning the total adjusted or real bilateral climate finance by DAC donors in 2018 actually fell by $2.9 billion from the 2014 level, the year prior to the Paris Agreement. At $11.6 billion this performance is far from the $37.3 billion target.

### *ii) Multilateral Climate Finance Attributable to DAC Donor Countries*

Despite an annual *Joint Report* by the Multilateral Development Banks (MDBs) (referenced above), much less is known about the actual details of climate finance originating from Development Banks and the amounts that can be attributable to DAC donors. The DAC suggests that the MDBs and other multilateral

## CHART 16: TOP TEN DAC DONORS FOR CLIMATE FINANCE




funds have already devoted approximately $30 billion in finance attributable to the DAC donors towards the $100 billion target ($29.4 billion target for this component).[69] But the annual *Joint Report* provides no access to databases or methodologies used by the MDBs that would allow confirmation of these amounts, what projects are included, or on what terms.

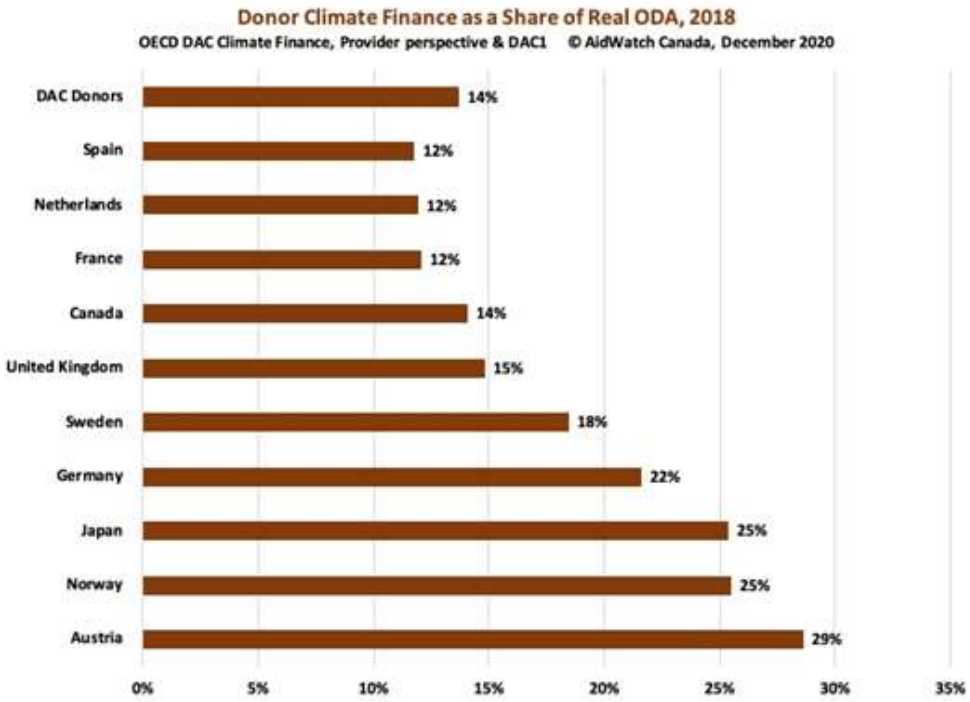
According to the MDBs most recent Joint Report, $61.6 billion was provided by MDBs in climate finance for 2019 (including finance not attributable to DAC donor countries). This represents a substantial increase from the $43.1 billion contributed in 2018.[70] Much of this finance was on non-concessionary loan terms. Oxfam estimates that fully 40% of climate finance reported by the DAC to the UNFCCC, which includes multilateral attributed finance, was provided to partner countries as non-concessionary loans (at market terms), a substantial increase since 2015/16 (30%). Most non-concessionary loans (70%) were provided by the MDBs.[71]

Developing countries are currently making loan payments for activities in their country that address the consequences of climate change for which they bear little responsibility. In doing so, they are also providing substantial returns on market rated loans to the MDBs and private creditors in international markets, from which the latter borrow these funds. As noted above, attributable MDB non-concessional loans should not be included in the donors' 2020 $100 billion target and any new post-2020 target going forward.

The increasing role of MDBs in climate finance is a key reason why loans have become the main modality for delivering this finance, particularly for mitigation finance. Oxfam estimates that almost 77% of total climate finance in 2017/2018 was in the form of loans and more than half were non-concessional. The latter have almost doubled in value since 2015/2016.[72]

As a major multilateral donor, European Union institutions, increased their climate finance

**CHART 17: SHARE OF CLIMATE FINANCE IN DONOR REAL ODA, 2018**




from $800 million in 2014 to $2.9 billion in 2018, a significant increase from 5% to 18% of EU Real ODA. The EU contributed 55% of its climate finance in 2018 towards adaptation purposes. Importantly, all EU climate finance in 2018 was in the form of grants.

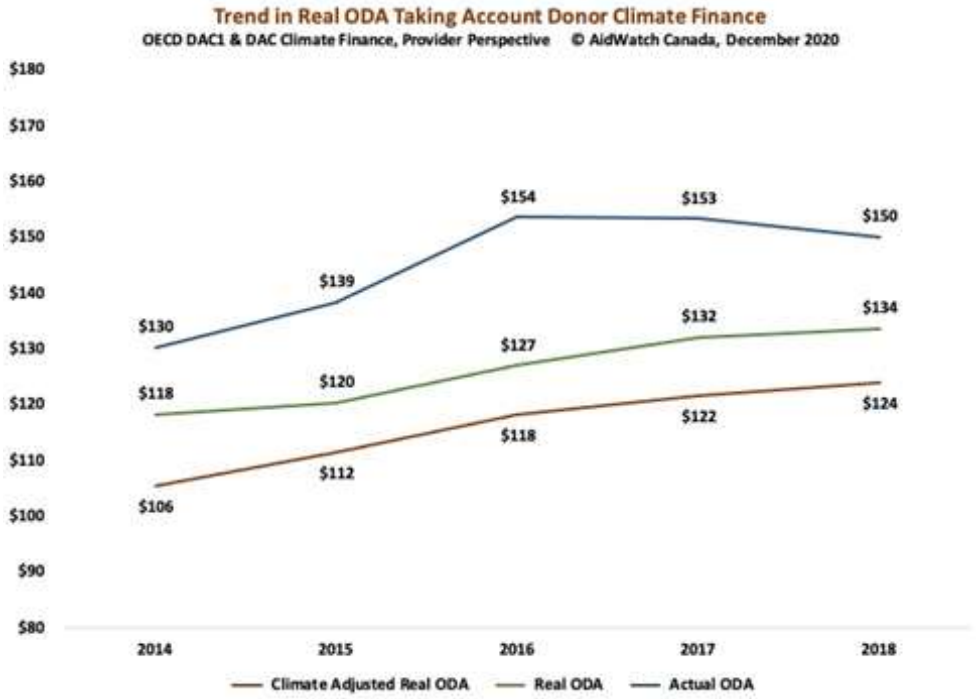
The Green Climate Fund (GCF) is the key multilateral climate funding mechanism within the UNFCCC. A detailed review of 128 projects approved by the Board (as of March 2020), reveals that US$6.1 billion has been committed since the launch of the Fund in 2015. According to the GCF Dashboard, US$4.4 billion in project commitments are currently being implemented and US$1.2 billion has been disbursed. The GCF completed its first replenishment in 2020, with 29 countries pledging $9.7 billion, including Indonesia, but not the United States and Australia. It is expected that the US will rejoin the Paris Agreement in 2021 and will again pledge financing for the GCF. In 2015, the US pledged $3 billion in the launch of the GCF of which only $1 billion was paid into the Fund.

*iii) DAC Donor contributions to climate finance very uneven*

Climate finance is highly concentrated among the five main donors for ODA – Germany, Japan, the United Kingdom, France and the United States. (**Chart 16**) Together they make up 69.5% of total DAC climate finance, which is slightly higher than their total share of Real ODA (67%). Germany, Japan and the United Kingdom are by far the largest donors, contributing more than half (56%) of climate finance.

As with ODA, the policies and practices of major contributing donor countries have an overwhelming influence on bilateral donor climate finance. Largely due to the direction set by Germany, Japan and France, as well as the role of the MDBs in climate finance, the majority of this finance is delivered as loan finance, not grants.

## CHART 18: IMPACT OF CONCESSIONAL CLIMATE FINANCE ON REAL ODA




) Real ODA is Actual ODA less in-donor refugee and student costs, debt cancellation and account interest received on ODA loans; 2) Climate finance is the total principal purpose climate finance with loans adjusted for grant equivalency (see footnote 46 above for methodology); 3) The estimate of climate adjusted Real ODA is an approximation as Real ODA is not based on grant equivalency.

### *iv) Impact of Climate Finance on ODA*

**Donors are allocating increasing amounts of ODA towards principal purpose climate finance. This is despite a long-standing commitment that such allocations be new and additional to their ODA for other purposes.**

**Climate-adjusted Real ODA by DAC donors was approximately $124 billion in 2018, excluding principal purpose climate finance projects and donor aid inflation. This amount was about 17% less than reported ODA for that year ($150.1 billion). Given that this climate finance is counted as bilateral aid, the impact on donor bilateral funding priorities is profound. In 2018, about 25% of bilateral finance was the result of donor inflation (in-donor costs etc.) and climate finance (falling from a reported $105 billion to $79 billion).**

Although they provide more than two-third of climate finance, the top five donors for climate finance are not necessarily those that give the greatest priority to climate issues within their ODA. **Chart 17** identifies four donors that provided more than 20% of their Real ODA in 2018 to climate finance (Austria, Norway, Japan and Germany). Another two donors, the United Kingdom and Sweden, provide more than 15% of their Real ODA for climate purposes. These shares include large proportions devoted to mainstreaming climate finance. When the latter is removed, only Portugal, Finland and Luxembourg devoted more than 10% of Real ODA to principal purpose bilateral climate finance.

When the $100 billion target for 2020 was set at the 2009 UNFCCC Conference of Parties (COP15) in Copenhagen, donors promised to scale up "new and additional, predictable and adequate funding."[73] Unfortunately, this has not been the case. Instead, almost all climate

finance has been included in ODA if these resources are concessional and target ODA-eligible countries.

Determining whether climate-related finance is "new and additional" for most donors is not possible as it requires a prediction of donor intentions for ODA separate from climate finance. But the impact on ODA levels of donor climate finance, where mitigation or adaptation is the principal goal of the project, is possible (mainstreamed climate finance is excluded as these are not climate related projects in their main intent).

**Chart 18** highlights climate-adjusted Real ODA for DAC donors. Real ODA (excluding aid inflation) is further adjusted to exclude concessional principal purpose climate finance projects. In 2018 climate-adjusted Real ODA amount to approximately $124 billion. This is 17% less than reported ODA for that year ($150.1 billion). The fact that this climate finance comes from bilateral aid makes the impact on the level of donor bilateral funding for other priorities even more profound. When other donor aid inflation (in-donor costs etc.) are taken into account, about 25% of bilateral finance was the result of donor aid inflation and climate finance in 2018. Bilateral aid was thus reduced from a reported $105 billion to $79 billion in that year.

*v) Is Climate Finance Addressing the Needs of the Most Vulnerable?*

**The quality of climate finance is weak. Targeting those countries most affected by climate change reveals only modest improvements since 2015 and requires much more focused attention.**

1. **CSOs have called for at least 50% in adaptation climate finance. In 2018, bilateral donors contributed approximately 38%% of their climate finance to adaptation purposes (up from 30% in 2014) while the MDBs contributed 30% (up from 18%).**
2. **The Paris Agreement commits donors to prioritize Low Income Countries (LICs), Least Developed Countries (LDCs) and Small Island Developing States (SIDS). Since 2015, bilateral donors provide at best 25% of climate finance to LDCs and LICs. MDBs provide less than 20% of their finance to LDCs and SIDS.**
3. **Mainstreaming gender equality has the potential for inclusive and potentially transformative impacts for both adaptation and mitigation. Yet only 1.5% of DAC-reported climate finance projects had gender equality as their principal purpose in 2017/2018. Less than a third (34%) had at least one gender equality objective, which was not the principal objective of the project.**

In June 2019, Philip Alston, the UN Special Rapporteur on Poverty and Human Rights, affirmed that the climate crisis has multiple implications for the rights of poor and vulnerable people: "We risk a 'climate apartheid' scenario where the wealthy pay to escape overheating, hunger and conflict, while the rest of the world is left to suffer."[74] He noted the potential for profound inequality, where developing countries would bear an estimated 75% of the cost of the climate crisis, despite the fact that the poorest half of the world's population, who mainly reside in these countries, are responsible for just 10% of historical carbon emissions.

How well do current allocations of climate finance address the interests and needs of the poor and most vulnerable? Targeting those most affected by climate change has shown some modest improvements since 2015. Focusing on the most vulnerable requires more focused attention, according to three broad indicators:

1. A minimum of 50% of climate concessional resources allocated to adaptation;