



International Adaptation Finance: Why the numbers don't add up and what to do about it

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Outline

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- Issue and Context
- The Rio Marker methodology

Illustration from the case of Vietnam

- Vietnam, the biggest recipient of adaptation aid?

Conclusion: How to improve tracking of climate finance?

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International adaptation finance: a problem of tracking

Issue and Context

- In Copenhagen, developed countries pledged collectively to **mobilize jointly US\$ 100 billion a year in climate finance by 2020** (UNFCCC, 2009).
- Those financial commitments were reiterated during subsequent COP, including during the COP 21 (**US\$ 100 billion a year by 2020** as “floor” commitment, UNFCCC 2015).
- They have further increased the prominence of the **issue of international adaptation finance allocation and consequently tracking**.

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**Which countries have been the highest recipients of international adaptation money so far?
The case of Vietnam.**

Our contribution investigates the case of Vietnam as this country emerges as one of the first recipients of aid activities labeled as adaptation-related using the Rio marker.

This study is based on interviews performed during a field research in Vietnam (may 2015), complemented with analysis of relevant data and reports.

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Which countries have been the highest recipients of international adaptation money so far?

Not an easy question to answer, because...

- **What constitutes “climate finance”** is itself still not internationally agreed.
- **Agreed parameters** do not come with clear guidance on how to interpret and implement them.
- There is **no robust accounting system** under the UNFCCC to meaningfully track climate finance.
- Individual contributing countries have been vested with significant discretion over how they deliver on their commitments.
- Most developed countries heavily rely on the **OECD DAC’s Rio Marker methodology** for their bilateral climate finance reporting to the UNFCCC.

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Critics from the OECD

- The OECD notes that **“the Rio markers do not allow the identification of ‘new and additional resources’** as stipulated in the [Rio] Conventions”.
- The OECD notes as well that “[if] the marker data are quite well-suited for describing individual donors various activities (...), **a problem arises from the moment donor reports are summarised and compared one another, or when the data are used for pledge-monitoring purposes**”
- This system was actually not designed for quantitative purposes or monitor financial pledges.

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The Rio Marker methodology

- It has been used by the DAC for many years to monitor aid targeting specific environmental objectives.
- The **adaptation marker**: every aid activity reported should be screened and marked as either targeting adaptation as a **“principal objective”** (score “2”) or a **“significant objective”** (score “1”), or **not targeting the objective** (score “0”).

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- DAC countries apply the Rio markers to their contributions in **different ways**.
- **Non-sector allocable aid: general budget supports** are entirely fungible and untraceable in recipient budgets.
- **Over-reporting**: the Rio marker system **allows for an aid project to be marked as targeting several Rio markers**.
 - In some cases, the use of the Rio marker methodology may result in **double, triple or even quadruple counting**.
- **Limited coverage**: it lacks sensitivity, as it only concerns **some of the international contributions**.

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- **Lack of granularity:** when an aid project is marked as “principally” or “significantly” targeting mitigation or adaptation, **the whole cost of the project is considered to be mitigation or adaptation related.**
- **No distinction between financial instruments:** every activities are accounted for at cash face value in the Rio marker methodology. Grants and loans receive the same status.
- **Commitments rather than disbursements:** the Rio markers are only applicable to bilateral **ODA commitments.**

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Largest recipients of bilateral ODA with adaptation as a “principal” objective			Largest recipients of bilateral ODA with adaptation as a “principal” objective		
Total amount: US\$ 10,979.76 million (US\$ 8,353.49 million with a designated recipient country)			Total amount: US\$ 10,979.76 million (US\$ 8,353.49 million with a designated recipient country)		
Top 10	Amount ⁱ	Percent ⁱⁱ	Top 10	Amount ⁱ	Percent ⁱⁱ
1. Vietnam	965.84	11.6%	1. Vietnam	965.84	11.6%
2. Bangladesh	724.34	8.7%	2. Bangladesh	724.34	8.7%
3. South Africa	344.42	4.1%	3. Turkey	13.80	3.5%
4. Philippines	327.67	3.9%	4. Pakistan	10.49	2.7%
5. Cambodia	230.88	2.8%	5. D.R. Congo	10.12	2.6%
6. Cape Verde	230.85	2.8%	6. Indonesia	9.34	2.4%
7. Ethiopia	190.21	2.3%	7. Kenya	9.03	2.3%
8. Egypt	164.90	2.0%	8. Burma	8.50	2.2%
9. Philippines	589.38	4.9%	9. Ethiopia	8.02	2.0%
10. Kenya	578.81	4.8%	10. Tunisia	384.05	3.2%
11. Morocco	536.90	4.5%			
12. Iraq	543.52	4.5%			
13. Peru	558.26	4.6%			
14. Tunisia	509.85	4.2%			
15. Bangladesh	687.687	6.2%			
16. Vietnam	965.84	8.7%			
17. Bangladesh	724.34	8.7%			
18. Bangladesh	724.34	8.7%			
19. Bangladesh	724.34	8.7%			
20. Bangladesh	724.34	8.7%			

Notes: ⁱAmounts in US\$ million; in constant (2012) prices; ⁱⁱAmount as a percentage of the total amount; ⁱⁱⁱAmounts in US\$ billion; in constant (2012) prices.

Source: Based on data extracted from <http://stats.oecd.org/Index.aspx?DataSetCode=RIOMARKERS> on January 23, 2015.

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- **Score “2” of the Rio Marker “Adaptation” (principal)**
 - 150 aid activities were reported as having adaptation as a “principal” objective in Vietnam (for a total of US\$ 965.84 million).
 - There is an important **overlap in objectives**:
 - Aid activities totalling US\$ 605.73 million (i.e., **62.7% of the total amount**) are reported as “**principally**” targeting both adaptation and mitigation.
 - Aid activities accounting for US\$ 126 million (i.e., **13.1% of the total amount**) were reported as “**principally**” targeting all Rio markers objectives.
 - During 2010-2013, **83.8% (in value) of those activities** were committed as **loans**, the remaining as grants.

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- **Score “1” of the Rio Marker “Adaptation”(significant)**
 - 300 aid activities were reported as having adaptation as a “significant” objective in Vietnam (for a total of US\$ 1,43 billion).
 - **16 of those activities** were committed as **loans**, **90.4% of the total amount**
 - **The loans** were committed by 4 DAC donors: mostly **Japan** (81 % in value), but also for smaller amounts by Germany, Belgium and South Korea

The position of Vietnam as one of the biggest recipients of adaptation money is **strongly linked to a few expensive activities, committed as loans, and mainly reported by Japan.**

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Conclusion: How to improve tracking of climate finance ?

- OECD DAC: refinement of the Rio Marker methodology under way to integrate some of the critic, not the methodology itself.
- A **robust MRV system designed under the UNFCCC** could be desirable.
- A clear **definition of climate finance** is highly needed.
- Same thing for agreed **parameters!**
- **Counting adaptation separately** from other interventions is a limited approach. Other types of aid could be considered while accounting international climate finance.

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Policy Brief: Negotiating the New Climate Finance Accounting Systems

(Romain Weikmans, Timmons Roberts)

<http://climatestrategies.org/publication/negotiating-the-new-climate-finance-accounting-systems/>

The brief outlines how significant political challenges await negotiators on the road toward the elaboration of robust accounting modalities for climate finance, and aims to facilitate future discussions on that matter. The paper discusses two different purposes of a climate finance accounting system: the assessment of developed countries' financial effort toward developing countries' adaptation and mitigation on the one hand and the assessment of resources devoted to climate activities in developing countries or in the whole world on the other hand. The paper outlines how these different purposes have important implications for the features of the accounting systems that need to be built.

Policy Brief n°3, May 2016, *Climate Strategies*

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Thank you for your attention.

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