WORLD RESOURCES INSTITUTE

Overseas Development Institute

*Working Paper*

# THE U.S. FAST-START FINANCE CONTRIBUTION

TARYN FRANSEN, KIRSTEN STASIO, AND SMITA NAKHOODA

## EXECUTIVE SUMMARY

Developed country governments have repeatedly committed to provide new and additional finance to help developing countries transition to low-carbon and climate-resilient growth. This assessment considers U.S. efforts to provide "fast start finance" (FSF) in fiscal years 2010 and 2011 in the context of the pledge by developed countries to mobilize $30 billion[1] from 2010 to 2012 under the United Nations Framework Convention on Climate Change (UNFCCC). It is part of a series scrutinizing how developed countries are defining, delivering, and reporting FSF.

Given the size of its economy and its historic responsibility as a top emitter of greenhouse gases, the United States has a major role to play in delivering FSF. Key characteristics of the U.S. FSF contribution are quantified in Figure 1.

**The U.S. FSF contribution of $5.1B reflects a positive effort made in challenging political and economic circumstances, but there is more to be done.** Congress and key agencies have increased funding for climate change objectives relative to the pre-FSF period, and have begun to integrate climate considerations into ongoing portfolios. The global economic recession and the resulting pressure to cut spending, however, combined with an active subset of policy-makers who oppose U.S. action on climate change, have impeded further increases to climate finance.

## CONTENTS



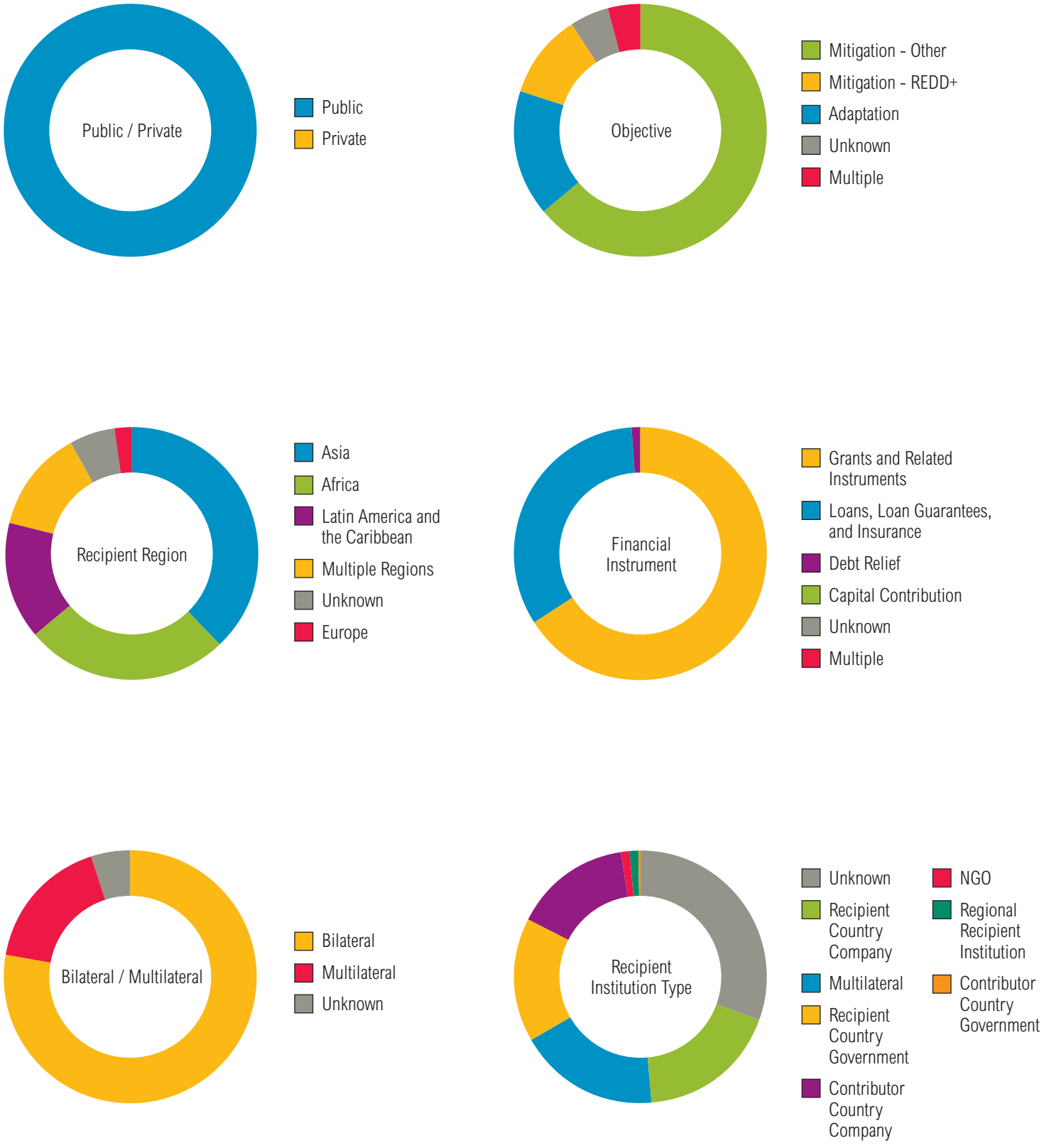


**Suggested Citation:** Fransen, Taryn, Smita Nakhooda, and Kirsten Stasio. 2012. "The U.S. Fast-Start Finance Contribution." Working Paper. World Resources Institute, Washington DC, and Overseas Development Institute, London. Available online at http://www.wri.org/publication/ocn-us-fast-start-finance.

IN PARTNERSHIP WITH

OCN
OPEN CLIMATE NETWORK

Figure 1 | **Overview of U.S. Fast-Start Finance**



**The US does not count private finance toward its FSF contribution, but it does count non-grant instruments as well as development assistance.** Loans, loan guarantees, and insurance constitute one-third of the U.S. contribution; grants and related instruments (including contracts and grant contributions to multilateral climate funds) account for the rest. Only a minority of the funds examined – 40% for adaptation and 29% for mitigation – support projects that clearly target climate change as a *principal* objective, although the remainder can in most cases still be expected to deliver climate benefits. (A greater share may principally target climate change, but adequate information was not available to support this conclusion.)

**While the FSF contribution reflects some new effort to address climate change, it is unclear that the contribution as a whole can be considered "new and additional."** Since the start of the FSF period, the United States has substantially increased international finance that explicitly targets climate change. Some U.S. government agencies have also begun integrating climate change into aspects of development assistance and development finance. The United States is also counting as FSF projects and programs that it was funding – and that were likely delivering climate benefits – prior to the FSF period. Furthermore, the United States has distanced itself from targets and timetables to increase development assistance, and climate finance appears to be increasing at a significantly faster rate than development assistance.

**There is a need for additional transparency and harmonization in reporting.** The United States has made significant efforts over the past several years to improve monitoring and reporting on climate finance, as well as on foreign assistance. However, there is room for improvement. We recommend that the United States:

- Publish the criteria it uses to program and identify FSF.
- Publish a detailed list of the projects and programs that constitute FSF, including, for each project, the amount, the administering agency, the financial instrument, the recipient country (where relevant) and institution, whether it is supported by core or non-core climate finance, and, to the extent feasible, information on disbursement status.
- Identify and explain any discrepancies between such a project list and the total reported FSF sum, and explain how non-grant instruments are counted.
- Provide complete information on U.S. FSF in a single document, so that users can avoid the need to download and reconcile over 240 documents to access this information.
- Harmonize reporting between the FSF reports and the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) by ensuring that relevant FSF projects are tagged with the appropriate DAC Rio Markers and using consistent project titles between the two reporting systems.
- Work in cooperation with other contributor countries and multilateral institutions to strengthen and harmonize bilateral and multilateral reporting on climate finance.

## INTRODUCTION

The United States ranks as the world's largest economy and its highest cumulative emitter of greenhouse gases.[2] It is also the largest donor of international assistance, in absolute terms (OECD 2011a). As such, it has the potential – as well as an obligation – to play a leadership role in the transition to a low-carbon, climate-resilient economy, both by undertaking this transition at home and by supporting developing countries in the same. To that end, the United States in 2009 joined a collective pledge, along with other developed countries, to provide finance "approaching $30 billion for the period 2010 – 2012" to support climate-related needs in developing countries. First articulated in the Copenhagen Accord, and affirmed in the Cancun Agreements, this funding has come to be known as "fast-start finance" (FSF) (see Box 1).

In 2010, the U.S. administration launched the Global Climate Change Initiative (GCCI), which aims to integrate climate change considerations into relevant U.S. foreign assistance (White House 2010). Despite this important step, however, U.S. climate finance has faced significant economic and political challenges. The FSF period coincided with the global economic recession, which dampened the U.S. economy just as it did with many other contributor countries, and reduced political support for international federal spending. The United States came out of FY11 running the second highest federal deficit in its history (Congressional Budget Office 2012),[3] and prolonged partisan debates over the FY11 budget resulted in spending cuts of nearly $40 billion for a variety of federal programs (Washington Post 2011). Cutbacks will likely continue, with automatic budget cuts of $1.2 trillion set to occur in 2013 if Congress cannot agree to additional

Box 1 | **Fast-Start Finance in the 2009 Copenhagen Accord**

> The collective commitment by developed countries is to provide new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010 – 2012 with balanced allocation between adaptation and mitigation. Funding for adaptation will be prioritized for the most vulnerable developing countries, such as the least developed countries, small island developing States and Africa.
>
> Source: UNFCCC. Decision 1/CP.15 Paragraph 8.

cuts by the end of 2012. Climate finance has been strongly targeted for cuts by a subset of U.S. policymakers and interest groups that oppose U.S. action on climate change. It is in this economic and political context that the U.S. approach to FSF has evolved, and that the United States continues to develop strategies for delivering climate finance in future years.

At the international level, divergent viewpoints as to what constitutes international climate finance in general, and FSF in particular – coupled with lack of harmonized approaches to delivering and reporting climate finance – have clouded discussions of the adequacy of the United States' and other countries' contributions. This assessment aims to shed light on how developed countries are defining, delivering, and reporting FSF, as part of a series of Open Climate Network (OCN) assessments developed in collaboration with the Overseas Development Institute (ODI).

The objectives of the assessments are to:

- Clarify what major contributor countries have counted as FSF
- Quantify FSF, by contributor country, in terms of the institutions through which it flows, the financial instruments it comprises, and the objectives and recipients it serves
- Identify best practices and areas for improvement in reporting on FSF

The assessments do not aim to provide full third-party verification of FSF reports, evaluate on-the-ground impacts or effectiveness of FSF, or take positions on specific political issues related to FSF.

## BACKGROUND AND CONTEXT

Since 1992, developed countries have pledged to help developing countries meet their climate mitigation and adaptation needs (see Box 2), most recently committing to provide $30 billion in "fast-start" funds for the years 2010-2012 and $100 billion annually by 2020. Parties to the United Nations Framework Convention on Climate Change (UNFCCC) have recognized the need to provide the timely transfer of sustainable, predictable, and adequate international climate finance to developing countries to help ensure that these countries – particularly the poorest and most vulnerable – have the resources necessary to adapt to the effects of climate change and to transition onto a low-carbon development pathway.

### Why focus on public, bilateral climate finance?

While private finance, as well as domestic finance from developing country governments, will undoubtedly play a significant role in meeting developing countries' climate needs,[4] public finance mobilized by contributor countries plays a unique role, and merits special scrutiny for three main reasons. First, developed countries have pledged climate finance in the context of complex and often contentious international negotiations in which countries have not yet achieved the necessary levels of trust and ambition to formulate a successful, collective response to climate change. Delivery on these pledges therefore carries significant implications for the level of trust countries place in the UNFCCC process – and each other – to achieve fair and effective outcomes. Second, whereas private sector finance responds primarily to existing and anticipated market conditions, public finance can in some circumstances help shape those conditions by leveraging private finance to magnify investments in climate goals. Finally, while efforts are underway to engage the private sector in adaptation,[5] private climate finance to date has tended to support mitigation objectives, leaving adaptation efforts highly dependent on public funding (Buchner et al. 2011). At the same time, those countries most vulnerable to severe impacts and disruptions from climate change typically also have the most limited domestic resources to address climate change, and thus have the greatest need for international support.

### Box 2 | What Are the Finance Needs, and Are They Being Met?

Estimates of the funding required to meet developing countries' climate change needs vary widely. For adaptation, the U.N.'s 2007/2008 Human Development Report estimates that additional adaptation finance needs will amount to $86 billion annually by 2015. The UNFCCC puts the price tag at $28-67 billion per year by 2030, while a 2010 World Bank study estimates it at $70-100 billion per year between 2010 and 2050. For mitigation, estimates from the World Bank, the Climate Group, and the UNFCCC range from $100-170 billion per year by 2030; the IEA has also published estimates out to 2050.

While developed countries' 2010 FSF reports indicated they had collectively generated $10 billion of the $30 billion FSF pledge, some developing countries have said that as little as $2.4 billion has actually been made available. These disparate figures demonstrate a number of issues that can impact the perceived amount of finance that is flowing, from unharmonized reporting practices, to differing definitions of climate finance, to administrative or procedural delays in disbursement.

Source: World Bank 2010a, UNFCCC 2007, UNDP 2007, Haites 2008, World Bank 2010b, Buchner et al. 2011, BNEF and UNEP 2011, WRI 2011, IEA 2008.

## The politics of climate finance

This paper reviews the scale, objectives, and modalities of FSF with reference to many of the issues that have been debated under the UNFCCC. Developed and developing countries have different views about channeling institutions, with developing countries generally expressing a preference for their own institutions to have direct access to climate finance (Ballesteros et al. 2010). There is also a growing emphasis on the need to build capacity within countries to address climate change and manage climate finance, with some stakeholders expressing the view that this requires increasing reliance on developing-country-based institutions. Developed countries, on the other hand, have tended to prefer working through their own development institutions and international organizations, which tend to give contributor countries greater voice. Financial instruments have also been a source of debate: many developing countries and non-governmental organizations (NGOs) hold that climate finance – especially adaptation finance – should be delivered primarily in the form of grants to avoid burdening developing countries with additional debt. However, loans, capital contributions, and guarantees are seen as appropriate instruments by some developed countries. The issue of how to mobilize climate finance at scale from new sources — other than contributions from national budgets — has been a topic of significant interest, and was the focus of the High Level Advisory Group on Climate Finance convened after the Copenhagen Conference of the Parties (COP) by the United Nations Secretary General.[6] We therefore consider the sources of the finance that the United States has mobilized as part of its FSF.

The *distribution* of climate finance is also a topic of concern. There is general agreement that support for adaptation and mitigation should be balanced, recognizing that most finance has prioritized mitigation to date and there is a need to scale up support for adaptation. However, there is a lack of agreement on how balance should be interpreted in practice given the urgency of reducing greenhouse gas (GHG) emissions; we therefore consider the current balance of thematic priorities for the U.S. FSF spend. Furthermore the geographic distribution has been a topic of debate, with many stakeholders expressing the view that the most vulnerable countries should receive the most support. We therefore consider the regional and country distribution of the U.S. FSF. A related concern is the need for timely disbursement of climate finance, and the need for clarity on the *status* of pledged funding.

Finally, the UNFCCC states that climate finance should be "new and additional." This refers to the fact that responding to climate change will require new effort and a substantial scale of resources, and should not divert funding from other development goals. In practice, however, there is a lack of agreement on what constitutes "new and additional." We therefore evaluate the nature of the U.S. contribution with reference to a range of considerations.

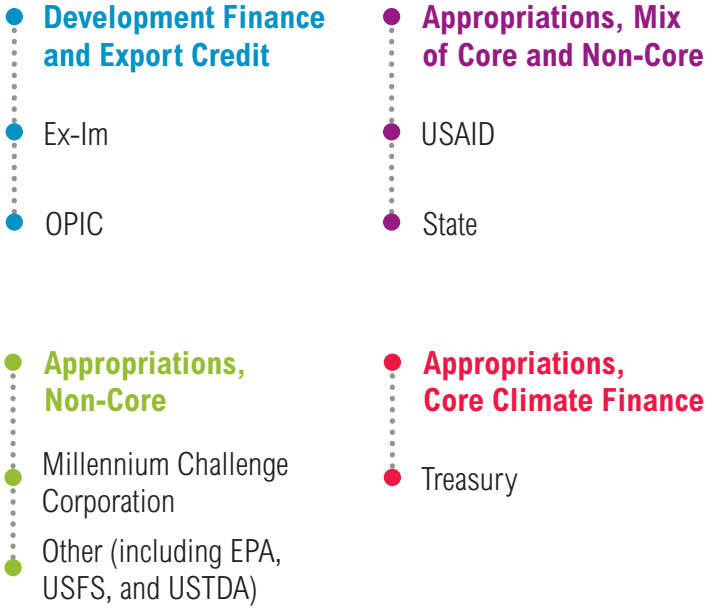
## Challenges in climate finance tracking

In this context, it is important to develop consistent and credible information that sheds light on the extent to which contributor countries have delivered on their climate finance commitments, how they have done so, and to what effect. A number of resources for tracking climate finance contribute to this effort (see Annex 1). Despite this, climate finance tracking is complicated by several factors, including lack of consensus as to what constitutes climate finance, vague and unharmonized reporting guide-

lines, and uneven and at times opaque application of these guidelines by reporting countries and other entities.

While the Cancun Agreements require developed countries to report on their FSF contributions, few guidelines are provided as to what information these reports should include. Nonetheless, various sources have suggested reporting practices that would facilitate an assessment of the extent to which contributor countries have adhered to the FSF stipulations in the Cancun Agreements, and would support the measurement, reporting, and verification (MRV) of climate finance more generally. In addition to aggregated statistics, some observers have requested project-level information regarding supported activities and objectives, recipient countries and institutions, financial instruments, and disbursement status. This would be necessary to support verification of aggregate figures; to improve coordination between contributors, recipients, and other stakeholders; and to promote accountability. Our assessment therefore also considers these factors.

Figure 2 | **Agencies Administering U.S. Fast-Start Finance**




## METHODOLOGY AND APPROACH

This assessment reviews the self-reported U.S. FSF contribution for FY10 and FY11,[7] describing it with regard to issues of both pragmatic and political significance as outlined above. These include the objectives and project types supported, channeling institutions and financial instruments employed, recipient countries and institutions, and the extent to which the finance might be considered new and additional. Throughout the assessment, our aim has been to clarify what the United States is counting as FSF and discuss the implications of its contribution, without taking a position on what should "count" toward the international FSF pledge.

There is no single source that contains information on all the parameters we sought to evaluate; our data set therefore draws on a range of sources. We first referred to the U.S. FSF reports for FY10 and FY11, each of which comprises a summary document of U.S. multilateral finance and global programs along with approximately 120 individual country fact sheets. From these approximately 240 documents, we compiled a list of unique projects and programs counted toward U.S. FSF for each year, and identified the project descriptions, funding amount, contributor country agency, and, where relevant, the multilateral channeling institution and the fund for each project or program. Where possible, we also identified the financial instrument and information regarding the recipient (including region, country, and recipient institution) on the basis of the FSF reports.

For each project, we then surveyed a range of additional sources to identify information on the parameters that were not available in the FSF reports and to inform our judgment regarding the objective of the project. Sources include information from contributor agencies (e.g., U.S. Agency for International Development, Overseas Private Investment Corporation, Millennium Challenge Corporation), recipient institutions, project web sites, press releases, www.faststartfinance.org,[8] and the Voluntary REDD+ Database,[9] among others.[10] We also attempted to cross-reference the FSF projects reported for FY10 with those in the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), but generally were not able to identify which projects in the FSF report corresponded to projects in the DAC.[11]

Annex 2 explains our methodology in more detail. In addition to listing the parameters comprised by our data set, it also details how and from which sources we compiled information, and describes how we analyzed certain parameters, such as source; recipient region, country, and institution; financial instrument; objective; and activity. It

also describes the basis for our assessment of the extent to which U.S. FSF may be considered "new and additional" and lists the factors of transparency we evaluated. An earlier version of this methodology was subject to expert peer review coordinated through OCN, which included representatives of bilateral and multilateral institutions involved in climate finance, as well as independent experts.

## FINDINGS

### The United States counts public finance only, including climate- and development-targeted funds

The process of generating and tracking U.S. climate finance has evolved with the recent establishment of the GCCI and the start of FSF. In addition to providing background on the procedural steps taken by the U.S. Government to develop and review its FSF, the process, as described below, also provides some initial insights into the overarching characteristics of U.S. FSF, including on sources, financial instruments, objectives, and channeling institutions.

**Sources:** The United States counts the following sources of finance toward its FSF commitment:

- Funds appropriated by Congress specifically to support climate objectives as part of the GCCI ("core" climate finance)
- Funds appropriated by Congress not specifically designated for climate change, but that aim to generate climate benefits as either a primary or a secondary objective
- Funds deployed by the development-finance and export-credit agencies Overseas Private Investment Corporation (OPIC) and the Export-Import Bank of the United States (Ex-Im) to leverage private finance in support of projects that target climate benefits as either primary or secondary objectives.[12] The United States does not count the leveraged private finance toward its FSF contribution.

See Figures 2 and 3.

**Quantification:** Congressionally appropriated funds are deployed as grants and related instruments,[13] whereas development finance and export credit take the form of loans, loan guarantees, and insurance. The United States counts grants and related instruments at their total value, loans and loan guarantees at their face value (i.e., the amount of principal to be repaid), and insurance at the maximum amount that the issuing agency can pay under the terms of the insurance contract.

Figure 3 | **Multilateral Funds Supported By U.S. Fast-Start Finance**

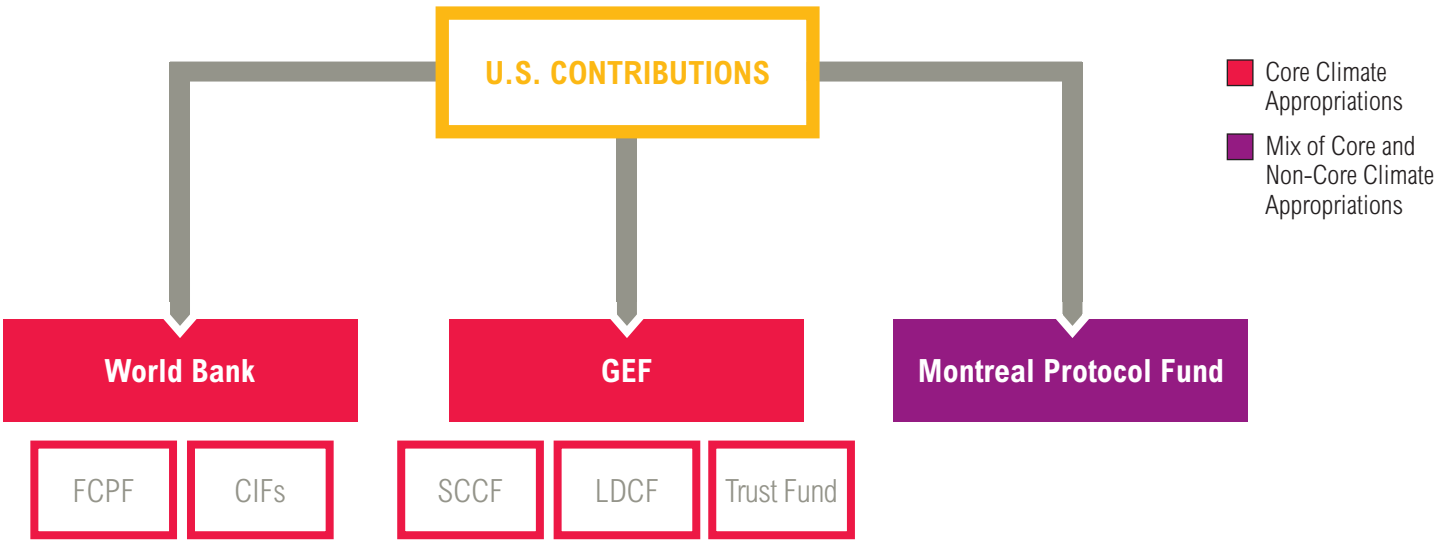


Table 1 | **U.S. Practice vis-à-vis Suggested Reporting Parameters**

| REPORTING PARAMETER | U.S. PRACTICE IN OFFICIAL FSF REPORTS |
|---|---|
| Aggregate Information | |
| Objectives supported | Identified for congressionally appropriated FSF only. |
| Channeling institution | Specifies the funds flowing through multilateral institutions – including the Climate Investment Funds, the Global Environment Facility, the Least Developed Countries Fund, and the Special Climate Change Fund – versus those flowing through bilateral institutions. |
| Financial instrument | Not aggregated. |
| Geographic distribution of countries supported | Not aggregated; approximated by country in approximately 120 country-specific fact sheets per year.[14] |
| Disbursement status | Not identified. |
| "New and additional" criteria | Not explained. |
| Eligibility criteria | Not explained. |
| Project-specific Information | |
| Objectives | Not specified, but often obvious based on project description. |
| Channeling institution | Almost always identified. |
| Financial instrument | Generally specified for Ex-Im and OPIC. Specific characteristics – such as loan interest rates and concessionality – not stated. |
| Recipient countries & institutions | Because project information is presented in country-specific fact sheets, it is usually clear which projects support which countries, but for projects that support more than one country, the breakdown of funds by country is generally not clear.[15] Information on the recipient institution is provided for only about one quarter of projects. |
| Disbursement status | Not identified. |

**Eligibility Criteria:** The State Department, which reports FSF on behalf of the United States, coordinates a number of agencies to promote adherence of funds reported as FSF to a common set of criteria and guidelines in support of adaptation, clean energy, and sustainable landscapes, and in support of eligible countries. These criteria and guidelines are elaborated by the U.S. Agency for International Development (USAID) in a document known as the "global climate change supplemental guidance." Other agencies reporting FSF use an abbreviated version of this guidance elaborated jointly by the State Department and USAID.

According to U.S. Government officials, the guidance is broadly consistent with the criteria and principles articulated in the USAID Climate Change and Development Strategy (USAID 2012), which are listed in Annex 3. U.S. officials have also described that clean energy programs must have as a priority reduction, mitigation, and/or sequestration of GHG emissions, and that such programs must achieve measurable emissions reductions. Likewise, adaptation programs must have an explicit objective of helping developing countries reduce vulnerability to the impacts of climate change, and such programs should be built upon vulnerability analyses. Since neither the USAID supplemental guidance nor the abbreviated guidance for

other agencies is publicly available, however, we cannot confirm the details of the guidance or evaluate the extent to which U.S. FSF projects adhere to it. Likewise, the eligible countries have not been specified.

**Process for identifying and reviewing FSF:** Projects funded through core climate finance are designed to adhere to the guidance noted above, often in collaboration with USAID's climate change team. They are considered by default to be FSF if they support an FSF-eligible country. Non-core FSF, by contrast, is identified retroactively. To identify non-core FSF, agencies along with USAID missions and bureaus are instructed to identify projects that meet the State/USAID criteria for supporting climate-related benefits. In the case of projects for which only a fraction of the budget supports climate benefits, agencies are directed to count only that fraction and not the entire project budget. By identifying a project as non-core FSF, USAID missions and bureaus commit to monitoring the project's climate impact over time.

USAID programs identified as FSF undergo a two-stage peer review process by USAID and the State Department to evaluate the programs' consistency with the guidance. Non-USAID programs are reviewed by the State Department for consistency, and State Department officials may exclude activities from the FSF report that it finds inconsistent – for example, because the activity supports countries not eligible for FSF, or because the State Department considers its link to climate change unclear.

Table 1 presents a snapshot of our findings regarding U.S. reporting practices.

U.S. FSF reporting, which comprises approximately 120 country-specific fact sheets per year, appears to target an audience interested in identifying FSF support by recipient country. We find that the level of detail contained in these fact sheets, however, often does not reflect the full range of parameters of interest to stakeholders, as identified above. Likewise, key aggregate statistics and explanations are also missing from the global summary of U.S. FSF. The U.S. Government has, however, made some of this information available through informal channels, including in-person briefings.

## U.S. FSF report describes 91% of its claimed $5.1B

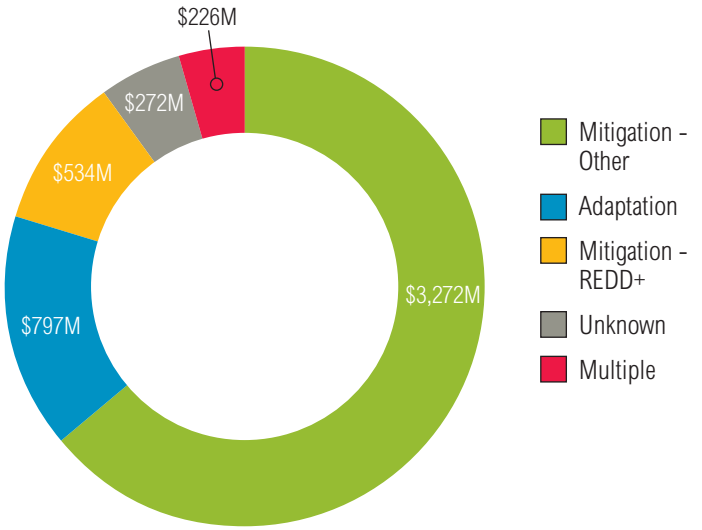
The United States reported that it provided $2 billion of FSF in FY10 and $3.1 billion in FY11, totaling $5.1 billion for the first two years of the FSF period. Of this finance, the U.S. FSF reports describe $4.65 billion (91%)[16] at the level of a program, project, or fund. We acquired information on an additional $181 million through other sources. The remainder is referred to as "the missing 5%" in the analysis that follows.[17] According to U.S. government officials, the missing 5% includes programs that are under procurement (and therefore confidential) at the time of reporting, funds that are not far enough along in the programming process to be described specifically, and overhead costs.[18] The share of U.S. FSF that is not described in the U.S. FSF reports fell from 18% in FY10 to 3% in FY11.

## U.S. FSF is weighted toward mitigation

We estimate that for FY10 and FY11, 16% of U.S. FSF supported adaptation, 11% supported mitigation – REDD+, 64% supported mitigation in other sectors, and 4% supported more than one of these objectives (see Figure 2).[19] We did not evaluate the effectiveness of U.S. FSF in achieving these objectives.

In the context of the Cancun Agreements, which indicate that FSF should have a "balanced allocation between adaptation and mitigation," our estimates indicate that U.S. FSF is consistent with a more general tendency in climate finance to favor mitigation over adaptation (Buchner et al. 2011).

Figure 4 | **Objective (FY10-11)**[20]



## U.S. FSF projects target climate objectives to varying degrees

To determine the extent to which projects supported by U.S. FSF target adaptation or mitigation objectives, we attempted to apply the Rio Marker system used by the OECD DAC to a subset of projects accounting for approximately 80% of the total U.S. FSF portfolio. This system provides definitions and criteria for determining whether a project qualifies as adaptation or mitigation, and for determining whether it focuses on either goal as a "principal" or "significant" objective. Projects qualifying for "principal" would not have proceeded were it not for the adaptation or mitigation objective; projects qualifying for "significant" may have proceeded in the absence of these considerations.[21]

The sources we consulted generally did not provide sufficient detail to permit assignment of a Rio Marker. In particular, for both adaptation and mitigation, they did not distinguish whether climate was a principal or a significant objective. For example, we classified all Ex-Im and OPIC projects "at least significant," because it was clear that they contributed to GHG mitigation but unclear whether they would have gone forward absent that consideration. For adaptation, the manner in which the project was intended to reduce vulnerability was often unclear, causing us to label the project "ambiguous." The results of this exercise are presented in Table 2.

Projects labeled "principal" generally reflect highly and obviously climate-targeted activities, such as vulnerability assessments, adaptation planning, low-emission development strategies (LEDS), REDD+, and clean energy projects developed to target GHG mitigation objectives. Projects labeled "significant" generally reflect efforts to integrate climate change considerations into development assistance, such as adjusting food security initiatives in light of climate-related vulnerability, or utilizing clean energy technologies to improve energy access. Projects labeled "ambiguous" generally comprise activities that *could*, in some circumstances, contribute to adaptation or mitigation, but for which we had insufficient information to assess the extent to which these objectives were actively targeted in project design.

The fact that part of the U.S. FSF portfolio appears to support projects that focus primarily on objectives other than climate change reflects the U.S. approach to counting both "core" climate finance under the GCCI and non-core climate finance as FSF. As noted above, projects supported by "core" climate finance under the GCCI, according to the U.S. Government, are designed to address climate as a primary objective. Projects developed with non-core climate finance may explicitly target climate goals, or may principally target other objectives while achieving climate benefits. (For a breakdown of core and non-core finance, see Figure 7.) In a similar vein, a U.S. State Department fact sheet re-

Table 2 | **Project Type by Climate Objective**

| CLIMATE OBJECTIVE | ADAPTATION | | MITIGATION | |
|---|---|---|---|---|
| | % | EXAMPLE PROJECT TYPES | % | EXAMPLE PROJECT TYPES |
| Principal | 40 | Vulnerability assessments, implementation of adaptation interventions identified in the context of a vulnerability assessment, adaptation plans | 29 | LEDS, REDD+, clean energy programs when documentation indicates they were developed in response to climate change |
| At least significant | 18 | Climate-related information programs for which it is unclear whether climate is principal or significant objective | 52 | Ex-Im and OPIC renewable energy projects |
| Significant | 9 | Food and water security programs with clear explanation of how adaptation has been integrated | 13 | Biodiversity programs involving forest conservation, energy security involving clean energy or efficiency |
| Ambiguous | 34 | Food and water security programs with no explanation of link to vulnerability, hydroelectric projects, marine protected areas with no mention of climate considerations | 6 | Power sector reform with no explanation of link to mitigation |

Note: Projects supporting multiple objectives are excluded from these figures.

leased in April 2010 identified food security, health, water, and biodiversity among the non-climate objectives that U.S. FSF is also targeting (U.S. State Department 2010).

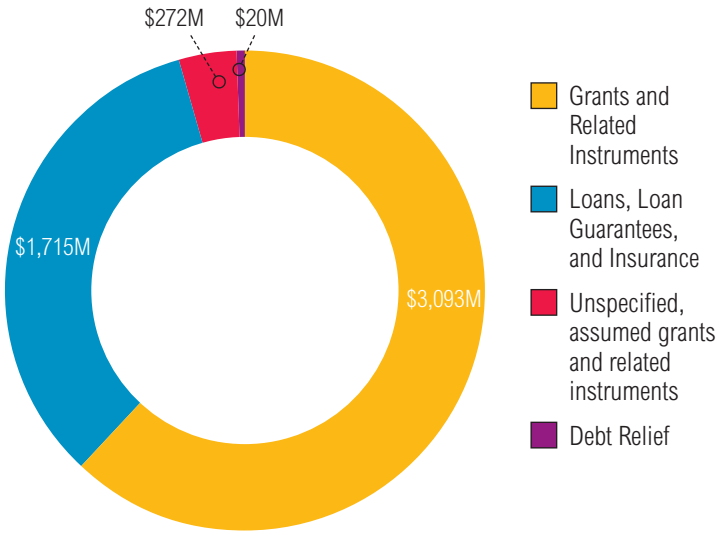
While an assessment of on-the-ground impacts of U.S. FSF was beyond the scope of this study, we did not observe instances of projects that would be unlikely in any circumstance to contribute to climate outcomes in either the bilateral or multilateral components of the U.S. FSF spend. With regard to the multilateral components, although the Clean Technology Fund (CTF) can technically support the deployment of high-efficiency fossil fuels, no such projects have been approved to date. Furthermore, with regard to multilateral REDD+ finance, some observers have raised questions both about the adequacy of the readiness plans that provide the framework for this finance, and about the implications of supporting the same logging companies who have been responsible for deforestation to change their practices.[22] So far, however, programs remain in their early stages and there is a limited evidence base from which to assess impact. Finally, on adaptation finance, we find no evidence of programs that could be considered "maladaptive."

There is a case to be made for ensuring policy coherence across interventions made in developing countries with public support, so that interventions made to support the scale-up of investment in clean technology are not in tension with other projects that invest in conventional fossil fuel technologies that cause climate change – particularly in the same countries. Similarly, support for REDD+ should be coherent with other programs to support economically productive uses of land including through support for agriculture programs, which must also be designed to be environmentally sustainable.

## Grants and related instruments account for at least 60% of U.S. FSF

With regard to the financial instruments used to transfer U.S. FSF, the United States has reported outside of its FSF report that grants and related instruments accounted for two thirds of the portfolio and loans, loan guarantees, and insurance for one third. We identified grants and related instruments constituting 61% of the portfolio; loans, loan guarantees, and insurance constituting 34%; and debt relief at less than 1%. We were not able to identify a financial instrument for the remaining 5% of the portfolio.

Figure 5 | **Financial Instrument (FY10-11)**




We found that 100% of the adaptation funds and the vast majority (99%) of the forestry funds were in the form of grants. The mitigation funds were divided approximately equally between the two categories of "grants and related instruments" and "loans, guarantees, or insurance."

## USAID and OPIC play a major role

USAID and OPIC emerged as the most significant channeling institutions for U.S. FSF, with each individually channeling a greater share of U.S. FSF for the FY10-11 period (27% for USAID and 25% for OPIC) than all of the multilateral funds combined (17%).[23] (See Figure 4.) The role of State and Treasury in channeling resources to multilateral funds is also significant. Annex 4 provides additional information on the multilateral funds supported by U.S. FSF.

It is notable that OPIC, which channeled only 8% of U.S. FSF in FY10, increased its share to 36% in 2011 (see Table 3). The increasing role played by OPIC has significant implications for both the financial instruments and the objectives that dominate U.S. FSF, as discussed below. The role of multilateral funds fell from 25% to 11% of the U.S. FSF in the same period; the U.S. contribution to these funds also fell in absolute terms.

Figure 6 | **Contributor Agencies (FY10-11)**

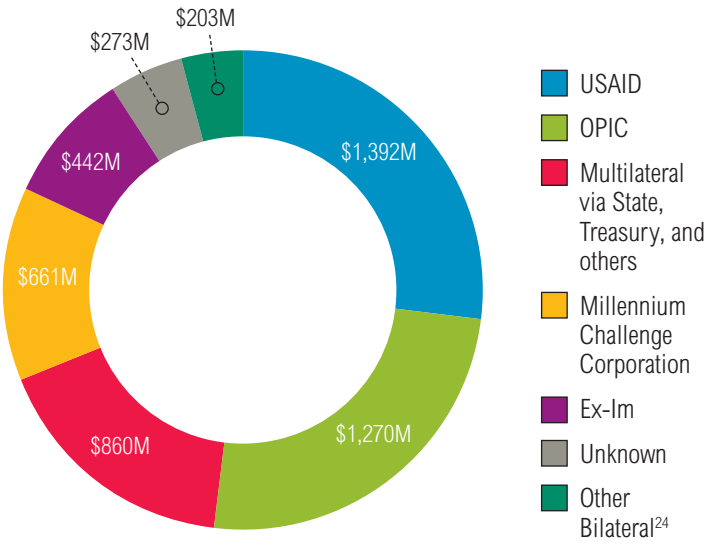



Table 3 | **U.S. Contributions to Multilateral Funds (FY10-11)**

| FUND | FY10 & FY11 (MILLION US $) |
|---|---|
| Clean Technology Fund | 485 |
| Forest Carbon Partnership Facility | 10 |
| Forest Investment Program | 50 |
| Global Environment Facility | 82 |
| Least Developed Countries Fund | 55 |
| Montreal Protocol Fund | 70.8 |
| Pilot Program on Climate Resilience | 65 |
| Special Climate Change Fund | 30 |
| Scaling-Up Renewable Energy Program | 10 |

## Implications of OPIC's role

Given the budget pressures that prevailed during the FSF period, it is perhaps not surprising that the United States has looked to OPIC and Ex-Im, which do not rely on congressional appropriations, to help meet its FSF commitment. Nonetheless, the significant role of OPIC and Ex-Im,[25] which together accounted for about one-third of FSF for FY10-11, has implications for the overall character of U.S. FSF due to the differences between development and export-credit finance and the grant-based support provided by other bilateral institutions, as described below.

In contrast to USAID and other U.S. bilateral agencies, which channel funds primarily in the form of grants and related instruments, OPIC and Ex-Im issue loans, loan guarantees, and insurance policies. As a result, the finance provided by these agencies is often paid back by its recipients. Whether this is appropriate in the context of FSF depends on the lens through which one views the role of FSF. If part of FSF's role is to support the development of integrated and globalized clean technology industries in emerging economies, development finance and export credit can contribute in this area. If, on the other hand, one views FSF through a compensatory lens,[26] then non-grant instruments become more problematic. Since the appropriate role for these financial instruments has yet to be agreed internationally, it is essential that contributor countries report transparently on each instrument used.

Because none of the FSF from OPIC and Ex-Im supports adaptation,[27] the role of these agencies significantly shifts the mitigation-adaptation balance of the entire U.S. FSF portfolio. Adaptation captures 16% of total U.S. FSF for FY10 and FY11, not including the unknown; without OPIC and Ex-Im projects, this figure would be 26%. Thus, while including OPIC and Ex-Im increase the overall scale of FSF, it also highlights the need to ensure adaptation is adequately funded. OPIC and Ex-Im might explore further investments in this sector.

While the United States has not counted private finance toward its FSF contribution, its FSF report does note that OPIC's 2011 FSF "leveraged at least an additional $2.3 billion of private investment."[28] In light of the significant role that leveraged private finance is likely to play in meeting climate challenges,[29] it is notable that the United States has chosen to report this figure. Likewise, given ongoing disagreements regarding the role of private finance in FSF, along with major uncertainties involved in calculating leverage ratios, it is appropriate that this figure is reported separately from the FSF contribution.

Several additional factors also affect how Ex-Im and OPIC are perceived by recipient countries and other stakeholders. First, a primary objective of development finance and export credit is to support U.S. business and trade.[30] Thus, projects supported by OPIC and Ex-Im either directly or indirectly benefit U.S. business. This likely facilitates political support for these programs within the United States, but may raise questions as to the extent to which such investments target developing-country priorities. Additionally, over the last decade, advocates within the NGO community have scrutinized the transparency, accountability, and safeguard practices of export credit agencies, and raised questions regarding their net impact on development and the environment (Harmon et al. 2005). In this context, it is important to note that OPIC is now required by law to reduce GHG emissions from its investment portfolio by 50% by 2023. Ex-Im also adopted a Carbon Policy in November 2009 that commits the Bank to financing climate-friendly technologies by U.S. businesses, namely by establishing a $250-million credit facility to promote and finance renewable energy exports. Some critics have pointed to the fact that Ex-Im's fossil fuel investments greatly outweigh its renewable energy investments as justification for not counting export credit as FSF; others have argued that export credit agencies can and should play a significant positive role in supporting the response to climate change.[31]

## Asia receives largest share, but recipient countries not always clear

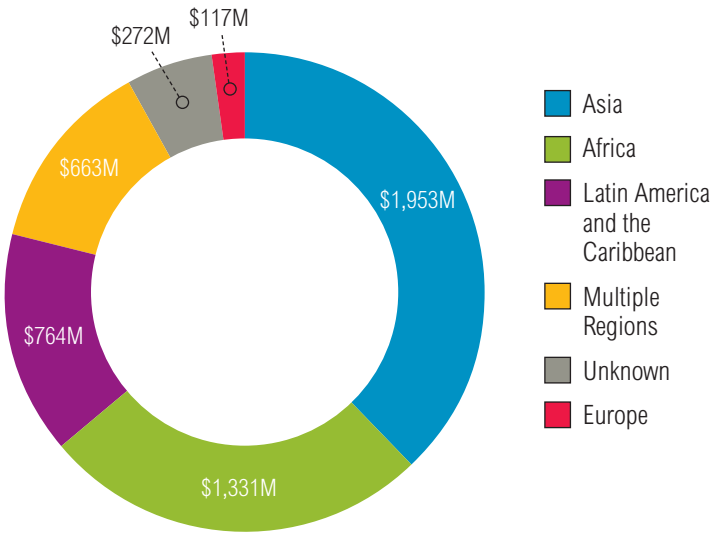
We identified a recipient country or countries for projects constituting 76% of the value of the U.S. FSF portfolio.[32] For an additional 6%, a recipient region was identified. The remaining 18% consists of dedicated multilateral funds that cannot be broken down by country or region; funding for the UNFCCC, Intergovernmental Panel on Climate Change (IPCC), and Montreal Protocol Fund; and what the U.S. FSF report identifies as "global programs,"[33] as well as the missing 5%.

The regional breakdown of the countries supported can be found in Figure 5. Asia is the largest recipient region with 38% of U.S. FSF, followed by Africa and then Latin America and the Caribbean, with 26% and 15%, respectively. In terms of the balance of objectives supported by region, allocations for mitigation (not including REDD+) are relatively equal in Latin America and the Caribbean, Africa, and Asia, ranging from approximately 70-80%. In Europe and Eurasia[34] – a very small share of U.S. FSF – 96% of the finance supported mitigation. Latin America has more than double the proportion of finance for REDD+ compared to Africa and Asia, at 17% of the FSF received by the region.

Table 4 | **Contributor Government Agencies and Channeling Institutions by Year**

| CONTRIBUTOR | FY10 (MILLION US $) | FY11 (MILLION US $) | FY10 & FY11 (MILLION US $) |
|---|---|---|---|
| Ex-Im | 253 | 189 | 442 |
| Millennium Challenge Corporation | 188 | 473 | 661 |
| OPIC | 155 | 1,115 | 1,270 |
| USAID | 571 | 821 | 1,392 |
| Other Bilateral[24] | 141 | 62 | 203 |
| Multilateral | 509 | 351 | 860 |
| Unknown | 183 | 89 | 272 |
| Grand Total | 2,000 | 3,100 | 5,100 |

Figure 7 | **Recipient Region (FY10-11)**




Approximately 20% of the finance supports projects that occur at least in part in small-island developing states (SIDS), least developed countries (LDCs), or both. Of that finance, 31% is for adaptation, 12% for REDD+, 53% for mitigation, and 5% for multiple of these objectives. These figures do not include global programs.

Our data set does not allow us to present conclusive totals for each recipient country. Taking into account only those projects for which a single recipient country was identified – approximately 76% of the total portfolio – we found that the top country recipients were India, Indonesia, Kenya, Malawi, Mexico, Thailand, Honduras, Peru, Afghanistan, and South Africa.

The findings above reflect the regions and countries that the United States appears to be targeting with its FSF spend, and do not consider the share of funding that is ultimately transfered to entities in those regions and countries.

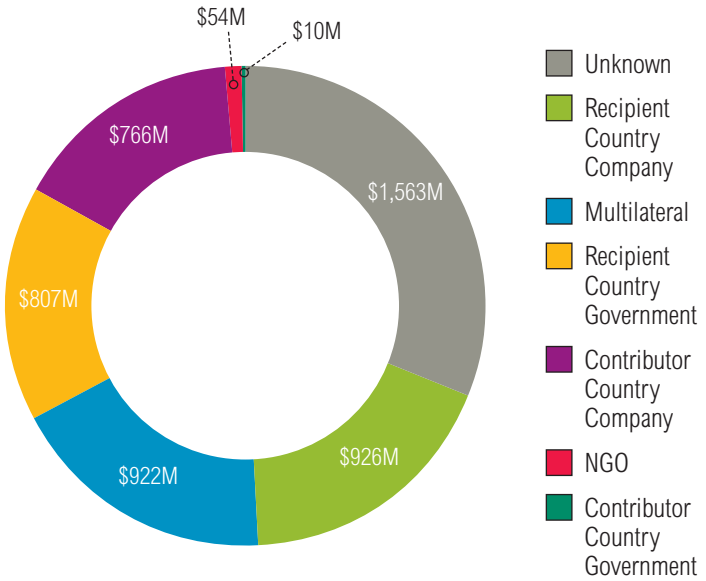
## Companies and governments appear to have received the largest share, but more information is needed

Information on the recipient institution is available for approximately 53% of bilateral U.S. FSF.[35] Of this share, the following stand out as major recipients:

- **PRIVATE RECIPIENT-COUNTRY COMPANIES:** This category comprised Ex-Im and OPIC projects, which provide financing to recipient country businesses in support of U.S. export markets and other U.S. business interests.
- **PRIVATE U.S. COMPANIES:** This category comprised primarily OPIC and USAID projects. OPIC issues loans to U.S. companies to support, for example, development of energy infrastructure in recipient countries. USAID frequently contracts with U.S.-based firms to implement the projects it supports.
- **RECIPIENT COUNTRY GOVERNMENT ENTITIES:** This category comprised mostly Millennium Challenge Corporation (MCC) projects. When a country enters into a compact with the MCC, it establishes a Millennium Challenge Account "accountable entity" to oversee implementation of the compact. A few USAID and USTDA projects also fall into this category – for example, several hydropower projects being carried out by Pakistan's Water and Power Development Authority with support from USAID.

In our sample, a range of institution types received funding, and less than half of bilateral U.S. FSF was transferred directly from the U.S. to recipient country government entities, as the United States often works through intermediaries. Because our recipient institution data cover only a fraction of the U.S. FSF portfolio, however, it is also

Figure 8 | **Recipient Institutions (FY10-11)**



useful to consider aggregate statistics regarding USAID's entire portfolio. These indicate that approximately 36% of USAID's foreign assistance obligations are awarded to U.S.-based non-profits and 22% to private U.S. businesses, with less than 10% of FY09 program funds obligated for direct support through recipient country systems (USAID 2011). While a portion of funding awarded to U.S.-based organizations is subcontracted to local organizations,[36] and USAID has set targets to increase the share of funding obligated to local organizations, the fact that a relatively small share goes directly to recipient country organizations may help to explain the very different perspectives that developed and developing country governments bring to bear on the magnitude of climate finance that has been made available to recipient countries.

## More information on the status of disbursement is needed, including from dedicated multilateral climate funds

All FSF reported by the United States has been either appropriated by Congress or – in the case of Ex-Im and OPIC projects – committed to the recipient by way of a signed contract during the year for which it is reported. It follows, then, that all U.S. FSF has at least been identified with domestic legal force – the United States has not reported FSF that has merely been pledged.[37] It is challenging, however, to track funds beyond this point through to disbursement, and project-by-project status information has been neither centralized nor published for most U.S. Government agencies that administer FSF. (The MCC is a notable exception.) USAID's decentralized structure makes tracking disbursement complicated, as project-level information on status is held by individual bureaus and country missions. In the case of Ex-Im and OPIC, this information sometimes considered proprietary.

Likewise, many of the multilateral funds through which the United States channels its climate finance do not consistently report on the status of disbursement of funding to the projects that they have approved and committed to support. For example, for business confidentiality reasons the CTF does not report on the status of disbursement of finance to private sector projects that it supports. It has begun to report in aggregate on funds disbursed in recipient countries through implementing multilateral development banks (MDBs) on a biannual basis at the meetings of its sub-fund governing committees. The Climate Investment Funds (CIFs) are also implementing systems to report on disbursement from the trustee to implementing MDBs in real time. The Global Environment Facility (GEF) only reports on the status of disbursement in its periodic financial reports to the GEF council and external stakeholders. These inconsistencies highlight a need for more coordinated and harmonized approaches to monitoring and reporting.

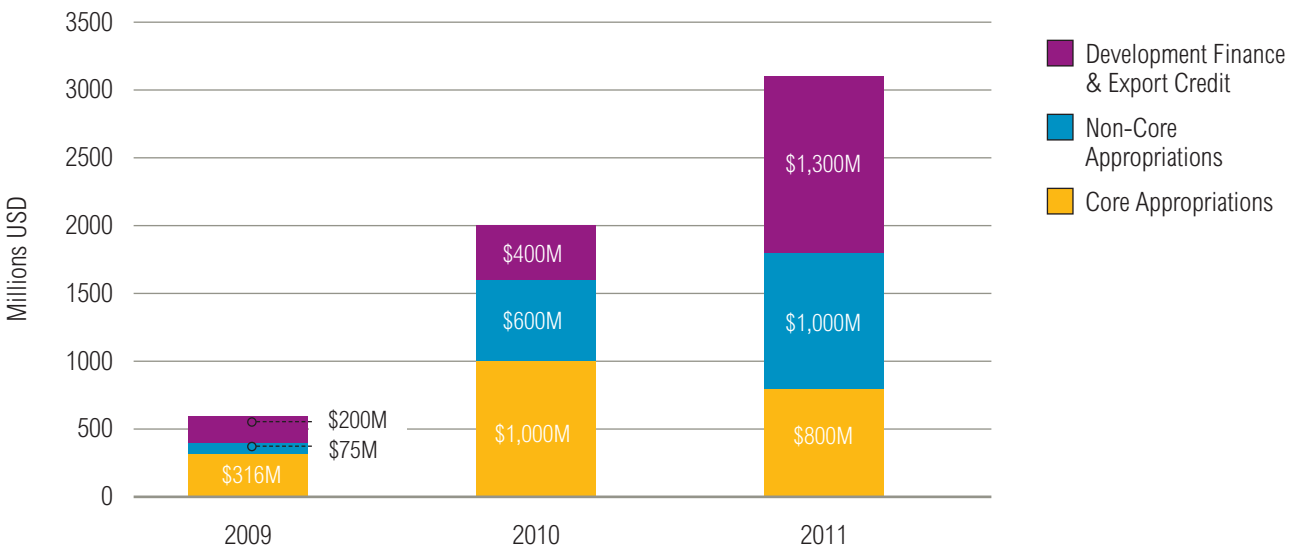
## Is U.S. FSF "new and additional"?

Negotiations on climate change finance under the UNFCCC have resulted in an agreement in principle that climate change finance should be new and additional to traditional development assistance. How to apply this principle in practice, however, is unclear and contested; we attempt to shed light on the extent to which the U.S. contribution might be considered new and additional by answering the following five questions.

**Does annual U.S. FSF exceed annual U.S. climate finance in the years prior to the fast-start period?** Comprehensive statistics for non-core climate finance prior to the FSF period have not been published, so a direct comparison is not possible. It is instructive, however, to compare core climate finance under GCCI during the FSF period to what was known as "international climate change assistance" for the three core agencies (State, Treasury, and USAID) in FY09 and earlier. Climate finance to these agencies rose threefold from $323 million in FY09 to approximately $1 billion in FY10 (Lattanzio 2012, U.S. State Department 2010). This suggests that on this basis, approximately two-thirds of core climate finance could be considered "new" during the FSF period. While we cannot assess the entirety of U.S. FSF against the pre-FSF period due to a lack of data, U.S.-reported FSF as a whole rose 65% from FY10 to FY11, with total congressional appropriations increasing by $200 million and development finance and export credit increasing by $900 million (see Figure 7). Core climate appropriations fell slightly from FY10 to FY11, although they remained above pre-FSF figures.

**Does U.S. FSF "recycle" or duplicate previously pledged climate finance?** In 2008, several contributor countries collectively pledged to give over $6.1 billion to the CIFs, with the United States pledging $2 billion (World Bank 2008). Congressionally approved funding for the CIFs in FY10 was $375 million while in FY11 it was $235 million – all of which the United States is counting toward its FSF commitment (Lattanzio 2011). Further instances of "recycling" pledges were not identified.

Figure 9 | **Change in U.S. FSF from FY09 to FY11**[38]




**Do projects and programs identified as FSF include more climate finance than they did prior to the fast-start period?** A comprehensive evaluation of the funding history of projects and programs reported as U.S. FSF was beyond the scope of this assessment. We observe, however, that a number of these projects and programs date back several years – and occasionally decades – as does U.S. support for them. In some cases, projects that did not historically target climate change concerns have evolved to factor in climate considerations. This is a notable and positive development. One example is the USAID Feed the Future program in Ethiopia, which has begun to factor climate-related risk into its food security strategy. Funding supporting climate-focused aspects of such programs could, on this basis, be considered new (although not necessarily additional). In other cases, it is less clear that the climate-focused funding of existing initiatives has increased over time. For example, the United States has been contributing to the Montreal Protocol Fund for over two decades, for a total of approximately $647 million over the period 1991-2011, or just over $30 million per year on average. It has counted $35 million each year in its FSF reports, but this could not be considered new relative to historical contributions.

**Has the United States achieved 0.7% Gross National Income (GNI) for overseas development assistance (ODA) during the fast-start period?** Most countries,[39] including the United States, have not surpassed the 0.7% target for ODA, and the United States has on a number of occasions distanced itself from this target.[40] While the United States is the largest donor in the world of absolute ODA, its ODA/GNI ratio has been among the bottom five of the 23 donors reporting to the DAC at around 0.2% in recent years. Thus, U.S. climate finance would not qualify as "additional" using this 0.7% criterion.

**How does the change in U.S. climate finance from the pre-fast-start period to the fast-start period compare to the change in U.S. development assistance over the same period?** For the United States, total ODA as reported to the DAC increased by only a few percent from the pre-FSF period to the FSF period, while "core" climate finance increased threefold.[41] These trends indicate that climate finance is increasing at a much greater rate than overall development finance, and therefore would not be considered "additional" according to this criterion.[42]

## CONCLUSIONS AND RECOMMENDATIONS

*The U.S. FSF contribution reflects a positive effort made in challenging political and economic circumstances, but there is more to be done.*

Congress and key agencies have increased funding for climate change objectives relative to the pre-FSF period, and have begun to integrate climate considerations into existing portfolios. The global economic recession and the resulting pressure to cut spending, however, combined with an active subset of policy-makers who oppose U.S. action on climate change, have impeded further increases to climate finance.

*The US does not count private finance toward its FSF contribution, but it does count non-grant instruments as well as development assistance.*

Loans, loan guarantees, and insurance constitute one-third of the U.S. contribution; grants and related instruments (including contracts and grant contributions to multilateral climate funds) account for the rest. Only a minority of the funds examined – 40% for adaptation and 29% for mitigation – support projects that clearly target climate change as a *principal* objective, although the remainder can in most cases still be expected to deliver climate benefits. (A greater share may principally target climate change, but adequate information was not available to support this conclusion.)

Elements of this approach are likely to generate controversy internationally. Specifically, the U.S. reliance on development finance and "traditional" ODA in its FSF contribution raises questions about the extent to which the contribution can be considered "new and additional." Moreover, the inclusion of OPIC shifts the balance of the FSF portfolio toward mitigation funding, while also increasing the role of loans, guarantees, and insurance, raising concerns about the balance of U.S. FSF and the appropriate role for non-grant instruments.

*While efforts to integrate climate considerations into traditional assistance and development finance are promising, they must not distract from the need to provide funding at adequate scale.*

The need to provide the large-scale funding required to support the transition to low-carbon, climate-resilient development is well documented, and in this light, it is logical for the United States and other contributor countries to seek out a range of channels and instruments to deliver support for mitigation and adaptation. Efforts to mainstream climate considerations into existing ODA and development finance are also to be encouraged in that they should enhance the ability of this funding to generate synergies within and benefits for both climate and development. The imperative, then, is to ensure that the practice of counting traditional ODA, development finance, and export credit toward FSF does not diminish the focus on scaling up finance to meet the new needs presented by climate change. Finding ways to enhance the U.S. contribution to both climate-specific and mainstreamed climate finance, without compromising support for core development needs, is a difficult challenge.

*While the U.S. FSF contribution reflects some new effort to address climate change, it is unclear that the contribution as a whole can be considered "new and additional."*

Since the start of the FSF period, the United States has substantially increased international finance that explicitly targets climate change. Some U.S. government agencies have also begun integrating climate change into aspects of development assistance and development finance. The United States is also counting as FSF projects and programs that it was funding – and that were likely delivering climate benefits – prior to the FSF period. Furthermore, the United States has distanced itself from targets and timetables to increase development assistance, and climate finance appears to be increasing at a significantly faster rate than development assistance.

A practical set of issues arising from this analysis warrant consideration if we are serious about making progress in

reducing emissions and enhancing resilience to climate change as a global community. Do projects that are being "counted" as climate finance in the spirit of meeting fast-start commitments involve new efforts to respond to climate change? Are ongoing climate projects receiving more support as a result of efforts to meet that commitment? Or, is credit just being claimed for worthy projects that have been underway for some time, and happen to be relevant to climate change? All of the above appear to be true for aspects of the U.S. FSF portfolio.

This raises some difficult issues. Certainly it is important to maintain support for programs that deliver clear environmental and social benefits. Furthermore, because most sectors and interventions either impact or are impacted by climate change, it is important for climate change considerations to be mainstreamed into ODA. It will be increasingly important for all development programs to take climate change considerations on board. But this type of integration alone is not sufficient to respond to the increasing climate change needs of developing countries.

### *The United States has taken steps to improve climate finance monitoring, but there is a need for enhanced transparency.*

As the FSF period draws to a close and the international community shifts its focus to generating finance in the medium and long term, scrutiny of climate finance practices of the United States and other contributor countries will continue. USAID's and other government agencies' efforts to improve climate finance monitoring are therefore timely, and it will be important to ensure that information generated by these efforts is publicly accessible to a range of stakeholders and interest groups. While U.S. efforts to present its FSF information and to engage NGOs and other stakeholders are very welcome, the utility of the U.S. FSF reports in presenting information of interest to a range of observers has been mixed. As the United States continues to gain experience with climate finance reporting, several measures could improve the transparency and accessibility of U.S. climate finance information:

- Publishing the criteria it uses to program and identify FSF.
- Publishing a detailed list of the projects and programs that constitute FSF, including, for each project, the amount, the administering agency, the financial instrument, the recipient country (where relevant) and institution, whether it is supported by core or non-core climate finance and, to the extent feasible, information on disbursement status.
- Identifying and explaining any discrepancies between such a project list and the total reported FSF sum, and explaining how non-grant instruments are counted.
- Providing complete information on U.S. FSF in a single document, so that users would not need to download and reconcile some 240 documents to access this information.

These steps could be undertaken immediately based on existing information. With some additional effort, future U.S. FSF reports could provide updated, country-specific breakdowns of programs whose country allocations were unknown during the year in which they were originally reported. (This would not apply to activities that are inherently regional or global and cannot be quantified by country.)

The U.S. Government should also consider, over the medium term, enhancing its monitoring systems to better track and report on disbursement status, beneficiaries, and impacts. This has the potential to contribute to building trust between countries, enhancing domestic support for climate finance, and improving the future generation and delivery of support. Harmonizing FSF reporting with DAC reporting, including by ensuring that FSF projects are tagged in the DAC with the relevant Rio Marker, might be part of the solution, particularly if the latter were updated regularly to reflect disbursement status. Additional approaches will be needed, however, to capture information regarding beneficiaries and impacts.

### *Reporting and transparency standards for both contributor countries and implementing institutions – notably dedicated multilateral climate funds – need to be strengthened and harmonized.*

Equally important is the need to improve standards for reporting on disbursement on the part of intermediary agencies, including the dedicated multilateral climate funds through which a significant share of U.S. FSF is directed. On the one hand, desk research revealed a large amount of information on the scope, objectives, and recipients of climate finance because the multilateral agencies receiving finance report substantial information. However, the scope of information reported is not consistent, and there is a particular gap when it comes to information about the status of disbursement of finance in the absence of agreed standards on disclosure of information. Adopting more robust and harmonized reporting standards, especially on

disbursement across contributor countries and intermediary institutions, may be necessary to increase the transparency of climate finance.

Contributor country efforts to coordinate monitoring and evaluation of climate finance should also prioritize increasing the transparency and consistency of reporting, including through multilateral funds. It may be helpful to highlight contributions to FSF when self-reporting against the Rio Markers to the OECD DAC as well. UNFCCC negotiations on reporting guidelines, and the forthcoming agreement of a results framework for the Global Green Climate Fund should also support harmonization around reporting. Finally, adoption and implementation of the Aid Data Transparency Standard[43] may provide additional opportunities to improve transparency and harmonization in climate finance accounting and reporting (see Box 3).

### *Sustaining support*

Over the next decade, public climate finance provided by developed countries will continue to play a critical role in catalyzing global action on climate change by directly supporting adaptation and mitigation in developing countries. Such public finance can help correct market failures, creating incentives for investment in climate-compatible development, including from the private sector. Furthermore, climate finance delivered in keeping with the principles of the UNFCCC can foster trust and participation in collective action on climate change. The U.S. Government has made substantial and commendable efforts to deliver climate finance under difficult political and economic circumstances, but many observers have noted that what it has delivered does not yet match the need, and is not yet fully in keeping with principles agreed to under the UNFCCC. Continued progress in improving monitoring and transparency is an important step. The more fundamental challenge is that of scaling up finance to developing countries – particularly in support of adaptation – in ways that effectively deliver climate benefits. While this will not be an easy challenge to meet, mobilizing and effectively delivering sustained and increased climate finance must be a central consideration in the design of U.S. responses to global climate change.

### Box 3 | U.S. Commitments to Improving Aid Transparency

The United States has articulated a political commitment in recent years to increase transparency in government and, in particular, to improve the availability of information on foreign aid. For example, in late 2011 the United States announced that it would sign on to the International Aid Transparency Initiative standards. In addition, USAID and the Department of State created the Foreign Assistance Dashboard – a work in progress that serves as a centralized database that will incorporate budget, financial, program, and performance data in a standard form from all U.S. government agencies receiving or implementing foreign assistance, humanitarian, and/or development funds. Finally, USAID recently launched USAID Forward, a package of reforms that aims to strengthen the monitoring and evaluation of all program design, budgetary, and strategy work. Such initiatives may provide an opportunity to improve the transparency of U.S. climate finance.

## ACRONYMS

| | |
|---|---|
| CTF | Clean Technology Fund |
| DAC | Development Assistance Committee |
| ECA | Export Credit Agency |
| Ex-Im | United States Export Import Bank |
| FIP | Forest Investment Program |
| FSF | Fast Start Finance |
| FY | Fiscal Year |
| GCCI | Global Climate Change Initiative |
| GEF | Global Environment Facility |
| GNI | Gross National Income |
| IATI | International Aid Transparency Initiative |
| IFC | International Finance Corporation |
| LDCF | Least Developed Countries Fund |
| LDC | Least Developed Country |
| MCC | Millennium Challenge Corporation |
| MDB | Multilateral Development Bank |
| OCN | Open Climate Network |
| ODA | Official Development Assistance |
| ODI | Overseas Development Institute |
| OECD | Organization for Economic Cooperation and Development |
| OPIC | Overseas Private Import Corporation |
| PPCR | Pilot Program on Climate Resilience |
| RDB | Regional Development Bank |
| REDD+ | Reducing Emissions from Deforestation and Forest Degradation + Conservation |
| SIDS | Small Island Developing State |
| SREP | Scaling Renewable Energy Program |
| UK | United Kingdom |
| U.S. | United States |
| USAID | United States Agency for International Development |
| UN | United Nations |
| UNFCCC | United Nations Framework Convention on Climate Change |
| USFS | United States Forest Service |
| USTDA | United States Trade and Development Agency |
| WRI | World Resources Institute |

# ANNEX 1: CLIMATE FINANCE TRACKING EFFORTS

A number of resources for tracking climate finance exist, including:

- **National Communications:** Under the UNFCCC, Annex II Parties are required to submit National Communications to the Conference of the Parties (COP) that report information on climate finance, including bilateral and regional support by recipient country, support to multilateral institutions, and support to the GEF. They are also required to indicate the "new and additional" financial resources provided, and to clarify how they have determined these resources as such.[44]

- **Fast-Start Reports:** The 2010 Cancun Agreements invite Parties to submit information to the UNFCCC secretariat in May of 2011, 2012, and 2013 on the resources provided to fulfill their FSF commitment. In November 2011, the UNFCCC secretariat launched a FSF module on its Finance Portal that links to the May 2011 reports (UNFCCC 2011). The Netherlands has also established a web portal (www.faststartfinance.org) to which both contributor and recipient countries voluntarily self-report.

- **OECD DAC:** The Organisation for Economic Co-operation and Development (OECD)'s Development Assistance Committee (DAC) compiles data on international assistance from its 23 members and 12 multilateral organizations, and has collected data on aid for mitigation since 1998 and for adaptation since 2010.

- **Multilateral Development Banks:** As climate change investments comprise a growing share of MDBs' portfolios, a number of MDBs have begun to develop systems for monitoring climate finance.[45] In 2011, the MDBs agreed to harmonize the manner in which they track their climate change finance, and subsequently established and MDB Working Group on Climate Finance Tracking to advance this goal.

- **Independent Initiatives:** Initiatives by non-governmental organizations (NGOs) and the private sector, such as AidData, Climate Funds Update, WRI's FSF summary table, and Bloomberg's New Energy Finance also contribute to climate finance tracking efforts.[46]

## ANNEX 2: OCN FINANCE ASSESSMENT PARAMETERS

The following parameters were examined for each project:

| PARAMETER | OPTIONS | EXPLANATION |
|---|---|---|
| Title | Project title | Based on U.S. FSF report; when no project title given, created based on project description. |
| Description | Qualitative description of the project as reported | Based primarily on information reported in the U.S. FSF report, and occasionally on other sources consulted (when specified). |
| Fiscal Year | ■ 2010<br>■ 2011 | Based on the year indicated in the U.S. FSF report. |
| Amount | In MN US $ | Based on figure identified in the U.S. FSF report. |
| Status | ■ Pledged<br>■ Identified with domestic legal force<br>■ Deposited<br>■ Approved for disbursement<br>■ Disbursed | Based on explanation by U.S. Government officials, unless otherwise indicated. |
| Source | ■ Budget appropriations<br>■ Development finance/export credit<br>■ Innovative Source: Public carbon market revenue, levy/tax on international transportation, or financial transaction tax<br>■ Private: Leveraged private finance, foreign direct investment, private carbon market revenue | The United States only includes two sources of finance towards it FSF commitment: (1) funds from development finance and export credit agencies, which are generated through paybacks and are administered by OPIC and Ex-Im; and (2) funds from its national budget appropriations, which are administered by other government agencies. Thus, we distinguished the finance based on these two sources on the basis of the agency administering it. |
| Recipient Region | ■ Africa<br>■ Asia<br>■ Europe<br>■ Latin America and the Caribbean<br>■ North America<br><br>Based on UN regional classifications: http://unstats.un.org/unsd/methods/m49/m49regin.htm | ■ Identified based on project description in U.S. FSF report along with country fact sheet(s) in which project was reported.<br>■ For multilateral funds, in order to determine the recipient country and region break-down, we imputed assistance from the climate-specific funds back to the donor countries.<br>■ We assigned this parameter based on the recipient country that the finance is intended to benefit, which does not necessarily signify that the finance was transferred to an institution within that recipient country. |
| Recipient Country | ■ Except in instances where the finance supports multilateral or "global" programs, the recipient country and/or region were identified for each project and program listed in the U.S. FSF report based on the individual country fact sheets in which they appeared.[47]<br>■ Identified based on project description in U.S. FSF report along with country fact sheet(s) in which project was reported.<br>■ For multilateral funds, in order to determine the recipient country and region break-down, we imputed assistance from the climate-specific funds back to the donor countries.<br>■ We assigned this parameter based on the recipient country that the finance is intended to benefit, which does not necessarily signify that the finance was transferred to an institution within that recipient country. | |
| Recipient Institution | Information on the recipient institution was not consistently provided in the FSF report. Where information was available, we attempted to identify the name and type (e.g., governmental, NGO, or private, and recipient- or contributor-based) of the institution receiving funding from the US Government. In a number of cases, it was unclear whether an institution associated with a project was the direct recipient, an indirect recipient (e.g. subgrantee or subcontractor), or another kind of implementing partner. Thus, where our assessment lists a recipient institution, it could refer to any one of these roles. | |

| PARAMETER | OPTIONS | EXPLANATION |
|---|---|---|
| Recipient Institution Type | ■ Multilateral<br>■ Contributor Regional Government<br>■ Recipient Regional Government<br>■ Contributor National Government<br>■ Recipient National Government<br>■ Contributor State/City Government<br>■ Recipient State/City Government<br>■ Contributor NGO<br>■ Recipient NGO<br>■ Contributor Company<br>■ Recipient Company | Classified based on recipient institution. |
| Contributor Country Agency | Name of contributor-country government entity administering the financial instrument to the recipient | This parameter is generally self-reported by the United States in their FSF report; otherwise, we identified it based on the additional sources mentioned.[48] |
| Multilateral Channeling Institution | For funds channeled through a multilateral institution, the name of the multilateral institution | Based on U.S. FSF report and U.S. budget appropriations bills. |
| Financial Instrument | ■ Capital Contribution<br>■ Grants and related instruments<br>■ Loan<br>■ Loan Guarantee<br>■ Equity<br>■ Insurance<br>■ Other (specify) | When the instrument was identified in the U.S. FSF report, we classified it accordingly. In other cases, because Congressionally appropriated funds are deployed as grants and related instruments,[49] whereas development finance and export credit take the form of loans, loan guarantees, and insurance, we made this identification on the basis of the source of the financing. |
| Financial Instrument Characteristics | Any information on the characteristics of the finance (e.g., grant element), and/or how the country is counting that financial instrument towards its total FSF amounts, where available. | |
| Objective | We attempted to identify the extent to which FSF projects target the climate-related objectives of adaptation and mitigation. We did this at three levels of rigor: First, we identified how the United States seemed to be counting each project, and second, for a subset of projects, we assessed the extent to which each project would meet a more rigorous definition of adaptation or mitigation according to the OECD DAC Rio Markers. Finally, we examined those projects whose categorizations were ambiguous in more detail, and documented which project types were involved. | |
| Objective: Level 1 | ■ Adaptation<br>■ Mitigation – REDD+<br>■ Mitigation – Other<br>■ Multiple | For the first level of assessment, we simply assigned each project to adaptation or mitigation on the basis of the description in the FSF report. While the United States has not specified which projects it is counting toward its adaptation totals and which toward mitigation, the project descriptions in the FSF report generally provide a strong indication even when the terms “adaptation” and “mitigation” are not used. For example, we classified food security projects as adaptation, and clean energy projects as mitigation. We also identified the subset of mitigation projects that are forestry, or REDD+. We classified projects that seemed to support more than one of these objectives as “multiple.” |

| PARAMETER | OPTIONS | EXPLANATION |
|---|---|---|
| Objective: Level 2 | For Adaptation and Mitigation Rio Marker:<br>■ 0 – not targeted<br>■ 1 – significant objective<br>■ 2 – principal objective | For the second level of assessment, we examined a subset of the largest projects on the basis of the OECD DAC Rio Markers for adaptation and mitigation. The Rio Markers were developed for use by donor countries to self-identify ODA that contributes to a range of specific objectives, including adaptation and mitigation. They also are designed to distinguish between projects that support those objectives as a "principal" objective versus those that support them as a "significant" objective (but may be primarily targeted at another, non-climate objective).<br><br>The Rio Markers employ the following definitions:<br>■ *Mitigation:* "[The activity] contributes to the objective of stabilization of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration."<br>■ *Adaptation:* "[The activity] intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience."<br><br>The OECD has published further criteria and a decision tree to promote consistency in self-reporting, which we attempted to follow (OECD 2011b). Under the Rio Marker system, a project is labeled with a 2 – indicating that it "principally" targets the Rio Marker – if it matches the OECD criteria for eligibility and would not have been undertaken without mitigation or adaptation as an objective, a 1 – indicating that it "significantly" targets the Rio Marker – if it matches the criteria for eligibility but would have been undertaken without mitigation or adaptation as an objective, and a 0 if it does not match the criteria for eligibility.<br><br>We assigned the Rio Markers based on our own assessment of the nature of the project, without regard to how the United States reported the project to the OECD DAC.[50] |
| Objective: Level 3 | For projects that received a 0, or whose score on the Rio Markers was not clear, we made note of any projects that would not appear to provide climate benefits, including commercially viable fossil fuel projects, road projects not associated with sustainable transportation alternatives, and transmission lines and power sector reform not linked to clean energy. | |
| Activity | ■ Assessment, planning, strategy development<br>■ Research and development<br>■ Demonstrations<br>■ Deployment/Implementation<br>■ Capacity Building<br>■ Monitoring, evaluation and review | Noted each activity involved without attempting to identify which were more prominent. Based on descriptions in U.S. FSF report and other sources as noted. |
| Intended impact | Information regarding expected or actual project impact in terms of GHG reduction, energy capacity, or other relevant metric. | |

**New and Additional:** For the purposes of this paper, we consider new climate finance as climate finance that has increased over previous years' allocations and/or pledges and additional climate finance as that which does not divert funding from development objectives. Due to the lack of consensus on these definitions and criteria for meeting them, in this assessment we consider U.S. FSF with regard to multiple possible bases for assessment without endorsing any single one.

Considerations related to "newness":
- Does FSF for a given year exceed annual climate finance in the years prior to the FSF period?
- Does FSF recycle or duplicate previously pledged climate finance?
- Do projects or programs identified as FSF include more climate finance than they did prior to the FSF period? For example, if funding is being counted for a project that began prior to the FSF period, has it received more funding relative to what would have been given in the absence of the fast-start commitment?

Considerations related to additionality:
- Has the contributor country in question achieved 0.7% GNI for ODA?[51]
- How does the change in climate finance from the pre-FSF period compare to the change in ODA over the same time frame?

**Transparency:** We evaluated official U.S. FSF reporting with regard to aggregate and project-specific metrics that facilitate interpretation and verification of climate finance information. The factors listed below are drawn in part from sources including Ciplet et al. 2011, Stasio 2011, and Tirpak et al. 2010.

Aggregate information:
- Eligibility criteria (e.g., project types and countries eligible to receive FSF)
- "New and additional" criteria, as defined by the contributor country
- Objectives supported
- Channeling institutions
- Financial instruments
- Geographic distribution of countries supported
- Disbursement status

Project-specific information:
- Objectives supported
- Channeling institutions
- Financial instruments
- Recipient countries
- Recipient institutions
- Disbursement status

# ANNEX 3: USAID'S SELECTION CRITERIA FOR CLIMATE APPROPRIATIONS UNDER ITS 2012-2016 CLIMATE CHANGE AND DEVELOPMENT STRATEGY

USAID uses the criteria listed below to program its climate funding under three pillars: clean energy, adaptation, and sustainable landscapes. U.S. Government officials have described the FSF criteria, which are not public, as being consistent with these.

## Clean Energy

- Emission reduction potential
  - Energy- or carbon-intensive economies, measured by high emission levels
  - Economic growth trajectory indicative of potential future high emissions levels
  - Renewable energy potential and commitment to implementing clean energy programs
- Enabling environment
  - Substantial national resources available to fund their own clean energy programming (predominantly through the private sector, but with complementary public investment)
  - Partner country ability to demonstrate leadership in large-scale deployment of clean energy
  - Partner country willingness to reform energy regulatory frameworks to include renewable energy sources and to support energy efficiency
  - Partner country interest in partnering with the United States to enhance capacity for low emission development.
- Harmonization and alignment with other donors
- Diplomatic and geographic considerations

Using these criteria, USAID will work in a mix of major emitters and countries with the commitment to reducing emissions through energy efficiency and development and deployment of renewable energy sources. The Agency will also invest more heavily in regional clean energy programs to take advantage of the opportunity for larger-scale impacts provided by activities that address regional energy interconnections.

## Sustainable Landscapes

- Mitigation potential: The extent to which the country has high forest-related emissions, could potentially have high emissions in the future, or has a large potential for increased carbon storage in forests and degraded lands.
- Market potential: The extent to which the country or sub-national location has near- or medium-term potential to participate in REDD+ carbon markets.
- Enabling environment: The extent to which the country has appropriate policy structures in place, such as land and resource tenure and efforts to stem corruption.
- Political will: The extent to which the country is demonstrating political will to address climate change challenges.
- Coordination with other donors and multilateral efforts: Funding decisions are informed by an assessment of where other donors and multilateral efforts are focusing their investments.
- Demonstration potential: The extent to which successful pilot activities can be implemented in the country to generate best practices and test scalable

models for achieving significant reductions in net emissions.
- Diplomatic and geographic considerations

Based on these criteria, REDD+ efforts are focused on countries with globally important forest landscapes (such as the Amazon basin, the Congo basin, and Southeast Asian forests), on high demonstration value activities (e.g, early movers able to demonstrate that results-based payments can be credible), and on monitoring, reporting, and verification (MRV) systems for forest emissions and market readiness. As noted above, in order to help meet the U.S. commitment to funding of REDD+, all sustainable landscapes funding is currently directed towards forested landscapes.

### Adaptation

- High exposure to physical climate change impacts
- Sensitivity to physical impacts because of socioeconomic factors, such as high dependence on rain-fed agriculture or large populations in low-lying coastal areas
- Partner country capacity to respond to climate change or willingness to build core capabilities needed
- Partner country willingness to partner with the USG and/or potential to play a strategic role in shaping international climate change policy
- Harmonization and alignment with other donors
- Diplomatic and geographic considerations

Based on these criteria, USAID's direct investments in climate adaptation prioritize small island developing states (SIDS), least developed countries (LDCs), especially in sub-Saharan Africa, and glacier-dependent countries.

Source: USAID 2012.

## ANNEX 4: MULTILATERAL FUNDS SUPPORTED BY US FSF[52]

### The Climate Investment Funds

The CIFs were established in 2008 at the initiative of the governments of the United Kingdom, United States and Japan to help the Multilateral Development Banks do more to help developing countries address climate change, and pilot the delivery of climate change finance at scale with the goal of delivering "transformational" change. The CIFs are administered by the World Bank in partnership with the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and the Inter-American Development Bank. To date a total of $6.4 billion has been pledged to the CIFs. Over $6.1 billion of this was pledged by several donor countries in 2008 when the funds were established (World Bank 2008). The United States, which pledged $2 billion to the CIFs in 2008, has contributed $610 million in total to date, which has also been during the FSF period.

The majority of funds for the CIFs ($4.6 billion) are allocated to a Clean Technology Fund to support investments in clean technologies that will yield large-scale emission reductions, particularly in large emerging economies. The United States has contributed $485 million to the CTF. To date, investment plans for 14 countries (Mexico, Egypt, Turkey, South Africa, Ukraine, Morocco, Thailand, Vietnam, the Philippines, Indonesia, Colombia, Kazakhstan, India, and Nigeria) and a regional program in the Middle East and North Africa have been approved; these plans require more financing than has been pledged to the CTF so far.

In addition, a Pilot Program on Climate Resilience (PPCR) of $982 million seeks to support developing countries to address climate risk and adapt to the impacts of climate change. The PPCR is supporting pilot programs in Bangladesh, Bolivia, Cambodia, Nepal, Niger, Mozambique, Tajikistan, Tongo, and Zambia and a regional program in the Caribbean. The United States contributed $65 million. The Forest Investment Program (FIP), with $599 million pledged, is supporting programs in Mexico, Brazil, the Democratic Republic of the Congo, Burkina Faso, Ghana, Indonesia, Lao, and Peru. The United States contributed $50 million. Finally, the Scaling Renewable Energy Program supports the deployment of clean technologies to support increased access to energy in low-income countries, with $352 million pledged. Programs are underway in Ethiopia, Honduras, Kenya, the Maldives, and Nepal. The United States has contributed $10 million.

### Forest Carbon Partnership Facility (FCPF)

The United States contributed at least $10 million in FSF to the Forest Carbon Partnership Facility (FCPF) in FY10 and FY11. The FCPF is a $434 million fund administered by the World Bank to pilot new approaches to reduce emissions from deforestation and degradation (REDD) in developing countries. It has the dual objectives of building capacity for REDD in developing countries, and testing a program of performance-based incentive payments in some pilot countries.

### The Global Environment Facility

The United States also counts a subset of its contributions – $83 million – to the GEF as FSF. The GEF's Climate Change focal area is the longest-standing source of dedicated public climate change finance. Its activities have largely focused on mitigation, and have broad regional distribution.

## The Least Developed Countries Fund

The United States gave $55 million in FSF contributions to the Least Developed Countries Fund (LDCF). The LDCF, an operational entity under the GEF, supports the implementation of National Adaptation Programs of Action (NAPAs) in 49 Least Developed Countries, and has a capitalisation of $415 million since 2001.

## Montreal Protocol Fund

The Montreal Protocol Fund was established in 1991 with the aim of assisting developing countries to meet their Montreal Protocol commitments towards reversing the deterioration of the Earth's ozone layer. As of November 2011, the contributions made to the Fund by some 45 countries totaled over $2.89 billion, of which the United States has made $624 million in agreed contributions (averaging $31 million annually).[53] The United States' reported FSF contribution in FY10 and FY11 combined totaled $71 million. Unlike other multilateral funds that the United States counts as FSF, the Montreal Protocol Fund is not a dedicated climate fund. The U.S. rationale for including these funds as FSF is that chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs) – two gases covered under the Montreal Protocol – are potent greenhouse gases.

## Special Climate Change Fund (SCCF)

The United States contributed $30 million to the SCCF in FY10 and FY11 combined. The SCCF is a $216 million fund to date. It was established in 2001 under the administration of the GEF to implement long-term adaptation measures that increase the resilience of national development sectors to the impacts of climate change in developing countries under the UNFCCC.

# ANNEX 5: US FSF PROJECT DATA

Available online at http://www.openclimatenetwork.org/data.

# REFERENCES


Ballesteros, Athena et al. 2010. "Power, Responsibility, and Accountability: Re-Thinking the Legitimacy of Institutions for Climate Finance." Final Report. Washington, D.C.: World Resources Institute.

BNEF and UNEP. 2011. "Global Trends in Renewable Energy Investment 2011: Analysis of Trends and Issues in the Financing of Renewable Energy." http://www.fs-unep-centre.org/publications/global-trends-renewable-energy-investment-2011

Brown, Jessica and Michael Jacobs. April 2011. "Leveraging private investment: the role of public sector climate finance." Background Note. Overseas Development Institute. http://www.odi.org.uk/resources/docs/7082.pdf

Buchner, Barbara et al. 2011. "The Landscape of Climate Finance." Report. Climate Policy Initiative.

Ciplet, David et al. September 2011. "Scoring fast-start climate finance: leaders and laggards in transparency." Briefing. IIED.

Congressional Budget Office. March 2012. "Update Budget Projections: Fiscal Years 2012 to 2022." http://www.cbo.gov/sites/default/files/cbofiles/attachments/March2012Baseline.pdf

FERN. December 2010. "Export Credit Agencies and Climate Change – a briefing for Cancun." Briefing Note. Brussels: FERN. http://www.fern.org/sites/fern.org/files/Export%20credit%20agencies%20and%20climate%20change.pdf

Haites, Eric. 2008. "Investment and Financial Flows Needed to Address Climate Change." Briefing Paper. The Climate Group. http://www.theclimategroup.org/_assets/files/Investment-and-Financial-Flows.pdf

Harmon, James et al. 2005. "Diverging Paths: What future for Export Credit Agencies in Development Finance?" Final Report. Washington, D.C.: World Resources Institute. http://pdf.wri.org/iffe_eca.pdf

International Energy Agency. 2010. *Energy Technology Perspectives: Scenarios and Strategies to 2050.* Paris: OECD/IEA.
Lattanzio, Richard K. May 2011. "International Climate Change Financing: The Climate Investment Funds (CIF)." Congressional Research Service. http://fpc.state.gov/documents/organization/168832.pdf

Lattanzio, Richard K. March 2012. "The Global Climate Change Initiative (GCCI): Budget Authority and Request, FY2010-FY2013." Congressional Research Service. http://www.fas.org/sgp/crs/misc/R41845.pdf

Mulugetta, Yacob et al. December 2011. "Fast-Start Finance: Lessons for Long-term Climate Finance under the UNFCCC." Working Paper. United Nations Economic Commission for Africa. http://www.uneca.org/acpc/about_acpc/policy_documents/docs/AGN%20Support%20Papers/Fast-Start%20Finance%20-%20lessons%20for%20long%20term%20climate%20finance%20under%20UNFCCC.pdf

OECD. 2011a. "Development aid reaches an historic high in 2010." Development Co-operation Directorate, Development Assistance Committee. Organization for Economic Co-operation and Development. http://www.oecd.org/document/35/0,3746,en_2649_34447_47515235_1_1_1_1,00.html

OECD. 2011b. "Handbook on the OECD-DAC Climate Markers." Organization for Economic Cooperation and Development. http://www.oecd.org/dataoecd/56/18/48785310.pdf

Severino, Jean-Michel and Ray, Olivier. "The End of ODA: Death and Rebirth of a Global Public Policy." Working Paper 167. Center for Global Development. 3/25/2009. http://www.cgdev.org/content/publications/detail/1421419

Stasio, Kirsten. April 3, 2011. "Seven Elements Developed Countries Should Include in their 'Fast-Start' Climate Finance Reports." News Story. Washington, D.C.: World Resources Institute. http://www.wri.org/stories/2011/04/seven-elements-developed-countries-should-include-their-fast-start-climate-finance-r

SustainableBusiness.com News. April 15, 2011. "US Ex-Im Bank Finances Huge Coal Plant in South Africa." http://www.sustainablebusiness.com/index.cfm/go/news.display/id/22260

Tirpak, Dennis et al. 2010. "Guidelines for Reporting Information on Public Climate Finance." WRI Issue Brief. Washington, D.C.: World Resources Institute. http://pdf.wri.org/guidelines_for_reporting_information_on_public_climate_finance_2010-12.pdf

UNDP. 2007. "Human Development Report 2007/2008. Fighting Climate Change: Human Solidarity in a Divided World." http://hdr.undp.org/en/media/HDR_20072008_EN_Complete.pdf

UNFCCC. 2007. "Investment and Financial Flows to Address Climate Change." Bonn, Germany: United Nations Framework Convention on Climate Change. http://unfccc.int/files/cooperation_and_support/financial_mechanism/application/pdf/background_paper.pdf

UNFCCC. 2011. "Finance Portal for Climate Change: Fast-start Finance." United Nations Framework Convention on Climate Change. http://unfccc.int/pls/apex/f?p=116:13:4497118034125415

USAID. 2011. "Building Local Development Leadership: USAID's Operational and Procurement Plan." U.S. Agency for International Development. http://forward.usaid.gov/node/316

USAID. January 2012. "USAID Climate Change and Development Strategy: Clean Resilient Growth." U.S. Agency for International Development. http://www.usaid.gov/our_work/policy_planning_and_learning/documents/GCCS.pdf

U.S. State Department. April 2010. "U.S. International Climate Change Finance." U.S. State Department. http://www.state.gov/documents/organization/140689.pdf

U.S. State Department. 2011. "U.S. Climate Finance: Meeting the Fast Start Commitment." http://www.state.gov/e/oes/climate/faststart/index.htm

Washington Post. April 12, 2011. "What's getting cut in the FY 2011 budget?" *The Washington Post.* http://www.washingtonpost.com/blogs/federal-eye/post/whats-getting-cut-in-the-fy-2011-budget/2011/04/11/AFMIynLD_blog.html

White House. 2010. "President Obama's Development Policy and the Global Climate Change Initiative." White House Climate Fact Sheet. http://www.whitehouse.gov/sites/default/files/Climate_Fact_Sheet.pdf

World Bank. September 26, 2008. "Donor Nations Pledge Over $6.1 Billion to Climate Investment Funds." Press Release. Washington, D.C.: World Bank. http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21916602~pagePK:34370~piPK:34424~theSitePK:4607,00.html

World Bank. 2010a. "Economics of Adaptation to Climate Change: Synthesis Report." Washington, D.C.: The International Bank for Reconstruction and Development/The World Bank. http://climatechange.worldbank.org/sites/default/files/documents/EACCSynthesisReport.pdf

World Bank. 2010b. "World Development Report 2010: Development and Climate Change." Washington, D.C.: The International Bank for Reconstruction and Development/The World Bank. http://siteresources.worldbank.org/INTWDR2010/Resources/5287678-1226014527953/WDR10-Full-Text.pdf

WRI. 2011. "Summary of Developed Country Fast-Start Climate Finance Pledges." http://pdf.wri.org/climate_finance_pledges_2011-11-18.pdf

# ENDNOTES

1. All financial figures in this report are given in U.S. dollars.
2. See http://cait.wri.org and http://data.worldbank.org/indicator/NY.GDP.MKTP.CD.
3. The U.S. fiscal year runs from October 1 of the previous calendar year to September 30 of the stated year.
4. Buchner et al. (2011) place private finance at almost 57% of current climate finance. UNFCCC (2007) identifies a significant role for domestic resources.
5. For example, the Private Sector Initiative under the Nairobi Work Program, and "Caring for Climate" under the U.N. Global Compact.
6. For example, countries such as Germany have used revenues from Certified Emission Reduction sales to help finance their International Climate Initiative, and the government of Japan has counted private Japanese companies' investments in climate-relevant sectors as part of its FSF reporting.
7. See U.S. State Department 2011 for the U.S. FSF reports.
8. www.faststartfinance.org is a Netherlands-led initiative in which both donors and recipient countries self-report on fast-start finance given and received.
9. The Voluntary REDD+ Database – in which both donors and recipients voluntarily report on REDD+ finance given and received – is managed by the Interim REDD+ Partnership. REDD+ is the acronym for reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.
10. Sources consulted for each project are detailed in Annex 5.
11. This is because information reported to the DAC was incomparable in timeframe and scope, and, moreover, insufficiently detailed to permit this approach.
12. Ex-Im is the U.S. Government's official export-credit agency, and OPIC is its development finance institution. Both agencies work with U.S. businesses to finance U.S. export markets.
13. In the context of this assessment, "grants" includes grants, cooperative agreements and contracts administered by USAID, as well as similar instruments administered by other bilateral agencies, not including Ex-Im and OPIC. This includes "contributions" to the CIFs, which are made in the form of grants as opposed to capital contributions. While all congressionally appropriated funds are channeled to an administering institution in the form of a grant, cooperative agreement, or contract, in some cases these funds are used to support non-grant instruments. For example, the United States capitalizes the CTF with grants, but the CTF issues loans to recipient countries.
14. Fact sheets do not disaggregate the fraction of regional and global programs supporting the country.
15. In some cases, this is because country-specific allocation decisions had not yet been made at the time the report was published.
16. Throughout this report, percentages are calculated based on the value of the projects, unless otherwise noted.
17. For the 91% that is described in the country fact sheets, not all metrics we sought to assess were available for all of the projects, so the share of finance that is not described may be higher than 9% for some information.
18. According to U.S. officials and the new foreignassistance.gov website, the missing 5% includes, inter alia, a portion of financing for the U.S. State Department's Bureau of Oceans and International Environmental and Scientific Affairs and Bureau of Western Hemisphere Affairs, approximately $13 million in finance for U.S. Trade and Development Agency in FY10, contributions to Columbia University's International Research Institute for Climate and Society in FY10, and overhead.
19. Our statistics are roughly consistent with U.S.-reported breakdown of FY11 FSF in a presentation during its side event on December 1, 2011 at COP 17 in Durban.
20. These figures exclude the missing 5%. Additionally, the fraction of U.S. FSF serving multiple objectives is likely larger than represented here; the "multiple" category refers to projects for which no primary objective could be identified.
21. See Annex 2 for a description of the Rio Marker system.
22. See for example Greenpeace comments on the Forest Investment Program Investment Plans in its capacity as developed country civil society observer, Global Witness comments on FCPF Readiness Plans provided in their capacity as developed country observers to the FCPF, and commentary on redd-monitor.org.
23. Note that the U.S. FSF report, and thus our data, does not reflect that a portion of bilateral finance was delivered through inter-agency agreements.
24. Includes Department of Energy, Department of State, Environmental Protection Agency, Treasury, U.S. Forest Service, and U.S. Trade and Development Agency, as well as financing channeled as a result of a partnership between two or more bilateral agencies.
25. OPIC accounts for a much larger share of U.S. FSF than Ex-Im, and Ex-Im's role in fact declined from FY10 to FY11. Nonetheless, we discuss them together in this section due to the similarities in the types of projects they support and the instruments they employ to support them.
26. E.g., Mulugetta et al. 2011.
27. All of it supports clean and renewable energy except for $1M that supports an avoided deforestation project.
28. These statistics are based on data collected by OPIC, which systematically collects information on the amount of private finance leveraged by its investments.
29. As documented in Brown and Jacobs 2011.
30. OPIC's mission includes to "help ambitious U.S. businesses successfully enter, grow and compete in emerging markets," while Ex-Im's mission is "to assist in financing the export of U.S. goods and services to international markets."
31. The Ex-Im Bank's Carbon Policy is available at http://www.exim.gov/products/policies/environment/carbon_policy.cfm. Many NGOs still criticize Ex-Im's performance on climate change, pointing to the failure of its Carbon Policy in making an impact on Ex-Im's portfolio (e.g., FERN 2010, SustainableBusiness.com News 2011).
32. As described in Annex 2, we identified the country or region a project is intended to benefit, without regard for the share of funds ultimately transferred to an institution in that country or region.
33. Global programs consist of a mixture of global initiatives such as the Consultative Group on International Agricultural Research Program on Climate Change, Agriculture and Food Security; initiatives that have impacts across regions; and funding for a specific objective that has not yet been allocated to a specific recipient country.
34. U.S. FSF in Europe and Eurasia went to the non-Annex I countries of Georgia, Moldova, Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia, and the Annex I countries of Bulgaria, Croatia, Kosovo, Romania, Turkey, and Ukraine. Note that U.S. FSF supported Ukraine in FY10 but not FY11. Moreover, the other Annex I countries listed were supported by FSF as part of funds that also supported other non-Annex I countries listed.
35. We did not attempt to identify recipient institutions of U.S. FSF administered by multilateral funds.

36. An estimated 17% of USAID's foreign assistance obligations fund local organizations indirectly.
37. Unexpected events can occasionally preclude U.S. FSF from being disbursed. For example, political events in Malawi have triggered a hold on the MCC Malawi Compact, so no funds have been disbursed. See http://www.mcc.gov/pages/press/release/release-032312-Boardrelease.
38. Due to different accounting procedures prior to 2010, 2009 data are estimates ± ~$100M. Sources for this data are a U.S. Government briefing and the Office of Management and Budget (OMB). According to the U.S. Government, estimates of international climate finance for 2003-2008 are in a similar range to that of 2009.
39. Denmark, Luxembourg, the Netherlands, Norway and Sweden are the only countries to have met the 0.7% target.
40. See for example http://www.archive.usun.state.gov/fact_sheet/ecosoc_Chapter_4_apr15.pdf.
41. Total U.S. ODA rose 5.4% in 2009 and 3.5% in 2010. See OECD 2011. Note that the sources of information for ODA levels and dedicated climate finance levels are different. Information on ODA levels comes from the OECD DAC, which is reported by the U.S. Government, while information on discrete climate finance levels comes directly from the State Department. Therefore, the timeframes and other parameters used for this finance may not be comparable. Nonetheless, the numbers give a good sense of relative scale. 2011 data will be incorporated when available from the U.S. Government.
42. The rationale for this argument is that if growth in climate finance is not outpaced by growth in development assistance, then the former could be growing at the expense of the latter.
43. See http://www.aidtransparency.net.
44. The guidelines for national communications do not provide a definition of new and additional.
45. Examples include the World Bank's climate co-benefits tracking and the Asian Development Bank's Procedures for Estimating Investments Renewable Energy and Energy Efficiency.
46. For more information, see: http://www.aiddata.org/; http://www.climatefundsupdate.org/; http://www.wri.org/publication/summary-of-developed-country-fast-start-climate-finance-pledges; http://www.newenergyfinance.com/.
47. We did this by first calculating the total percentage of multilateral funds received by each recipient country, where possible, based on the entire period or life of that fund (not on the fast-start period – we used data from climatefundsupdate.org, which includes cumulative data from 2001 to February 2012). Second, we applied that that percentage to the amount of funds donated to that multilateral by the United States. It is important to note that the resulting data are indicative rather than definitive, as methodologies for imputing multilateral flows have several inherent complexities, including differences in timeframes and delays in disbursement, differences in financial instrument used by the donor country versus the multilateral, restrictions on the multilateral institution to pool resources due to earmarks, and data limitations.
48. The United States, however, did not consistently report on the contributor agency that channels funds to a multilateral channeling institution, so in those instances we consulted the US budget to identify the contributor agency.
49. See endnote 13.
50. While the United States applies the Rio Markers when it reports ODA to the OECD DAC, we did not factor this into our assessment because the scope, timeframe, and descriptions that the United States reports to the OECD DAC are different from what it reports in its FSF report.
51. Parties in the international climate negotiations have often referred to additionality in relation to an amount or percentage of Overseas Development Assistance (ODA). One baseline for additionality that has been proposed by developing countries is that of the 0.7% of Gross National Income (GNI) for ODA pledge reiterated by developed countries over the past several decades (e.g., in the Monterrey Consensus in 2002, at the World Summit on Sustainable Development in Johannesburg in 2002, and most recently at the Gleneagles G8 summit in 2005). Note, however, that the United States, along with Australia, Canada, Japan and Switzerland, have not set a timetable for the 0.7% target since the 1970 United Nations General Assembly Resolution (while the other 16 donor countries have either set a timetable or met the target). Additionally, some aid experts have argued that countries must rethink the traditional measure of ODA given the diversification of goals it is asked to pursue and the multiplication of instruments used to achieve policy objectives (Severino et al.).
52. For more information on dedicated climate change funds, see http://www.climatefundsupdate.org/.
53. http://www.multilateralfund.org/

## ACKNOWLEDGMENTS

This paper has benefitted from the peer review of numerous colleagues. Jusen Asuka, Koji Fukuda, Takeshi Kuramochi and Noriko Shimizu of IGES; Tom Mitchell of ODI; Shawnee Hoover of Oxfam; and Louise Brown, Heather McGray, Jennifer Morgan and Dennis Tirpak of WRI all provided helpful comments and feedback. We are particularly grateful to U.S. Government officials – notably Jessica Brown and Jim Martin of the State Department and Ashley Allen of USAID – who provided invaluable background information regarding the U.S. FSF contribution. This paper also benefitted from the inputs of Michael Wolosin (Climate Advisors). Our partners and advisors in the Open Climate Network, particularly Clare Demerse of the Pembina Institute and Jessica Brown in her former capacity at ODI, helped develop an earlier version of our research framework. Aarjan Dixit (WRI), Valérie Gaveau (OECD), Andre Loozekoot (Netherlands Ministry of Foreign Affairs), Kiran Pandey (World Bank), Cliff Polycarp (WRI), Hendrikje Reich (KfW), Liane Schalatek (HBF North America), and Catherine Weaver (University of Texas) provided feedback on the same. Alice Caravani of ODI and Jennifer Hatch of WRI provided research assistance in the preparation of the U.S. assessment. Hyacinth Billings, Greg Fuhs, and Nick Price supported the editing and production process. Finally, we are grateful to our funders, including BMU and KfW Entwicklungsbank, which generously supported the development of the methodology on which this piece is based. All conclusions are the authors' own, and we take full responsibility for any errors.


## ABOUT THE AUTHORS


**Taryn Fransen** is a Senior Associate with the Climate and Energy Program at WRI, where she leads the Open Climate Network.
Contact: tfransen@wri.org

**Kirsten Stasio** supported this project in her former capacity as a Research Analyst in the Climate and Energy Program at WRI.

**Smita Nakhooda** is senior Research Fellow in the Climate Change Environment and Forests Program at ODI, where she leads work on international climate change finance.
Contact: s.nakhooda@odi.org.uk


## ABOUT WRI

The World Resources Institute (WRI) is a global environmental and development think tank that goes beyond research to create practical ways to protect the Earth and improve people's lives. We work with governments, companies, and civil society to build practical solutions to urgent environmental challenges. WRI's transformative ideas protect the Earth and promote development because sustainability is essential to meeting human needs and fulfilling human aspirations for the future.

## ABOUT ODI

ODI is Britain's leading independent think tank on international development and humanitarian issues. Our mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering, and the achievement of sustainable livelihoods in developing countries. We do this by locking together high quality applied research, practical policy advice, and policy-focused dissemination and debate. We work with partners in the public and private sectors, in both developing and developed countries. In partnership with the Heinrich Boell Foundation North America, ODI coordinates Climate Funds Update, an independent website monitoring and verifying dedicated public climate finance (http://www.climatefundsupdate.org).

## ABOUT OCN

The Open Climate Network brings together independent research institutes and stakeholder groups to monitor countries' progress on climate change. We seek to accelerate the transition to a low-emission, climate-resilient future by providing consistent, credible information that enhances accountability both between and within countries. http://www.openclimatenetwork.org.