Session V - lessons learnt from Fast-start finance

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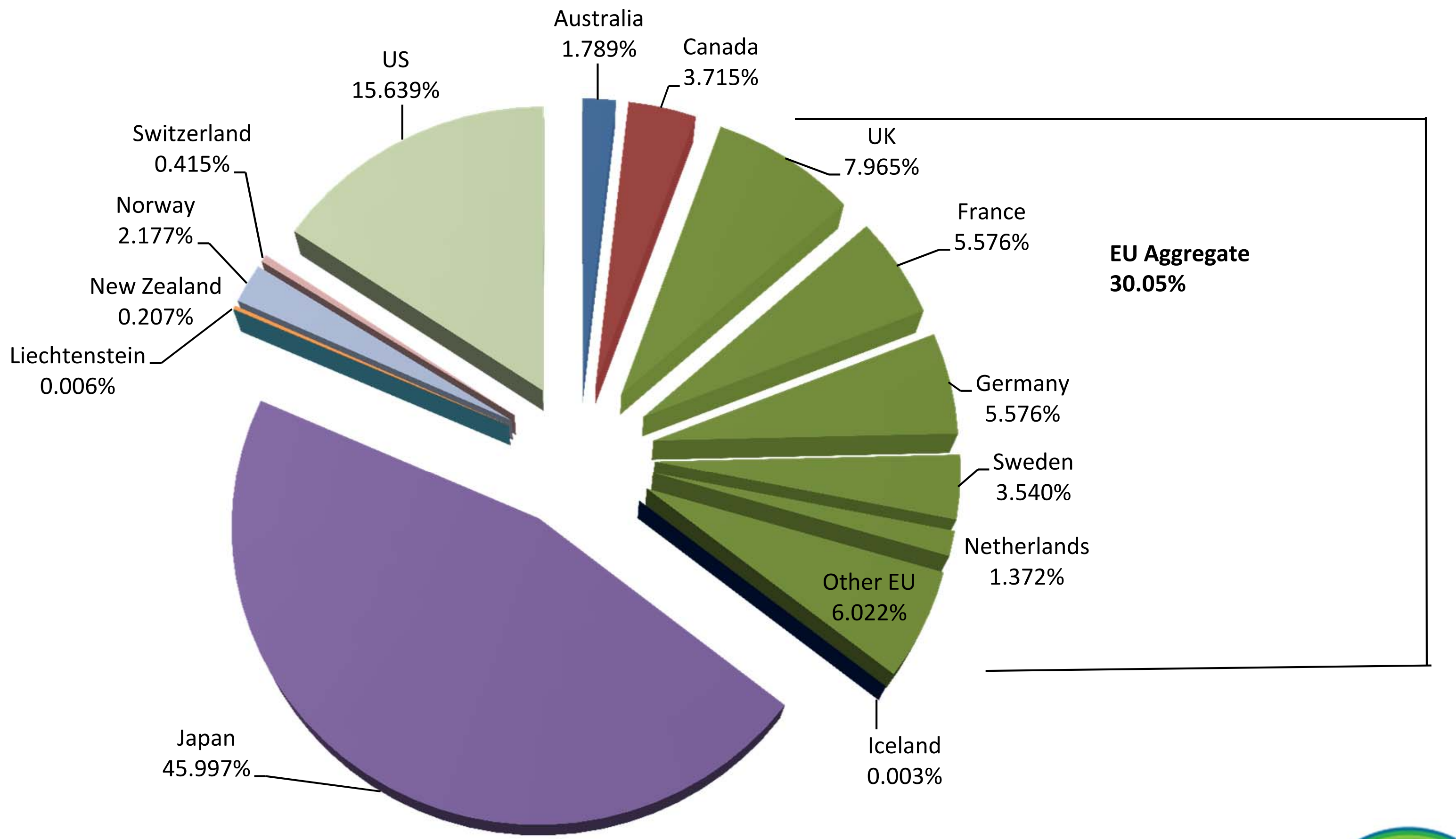
Why Fast-Start Finance?

- Confidence building
- UNFCCC ES Christiana Figueres said (Geneva Finance Dialogue, September 2010) *"the delivery and allocation of the promised short-term funding of USD 30 billion up to 2012 is the* ***golden key*** *to an outcome in Cancun."*
- Enhanced and predicable flows of finance would enable enhanced mitigation and adaptation actions in developing countries

Assessing FSF based on the Copenhagen and Cancun commitments

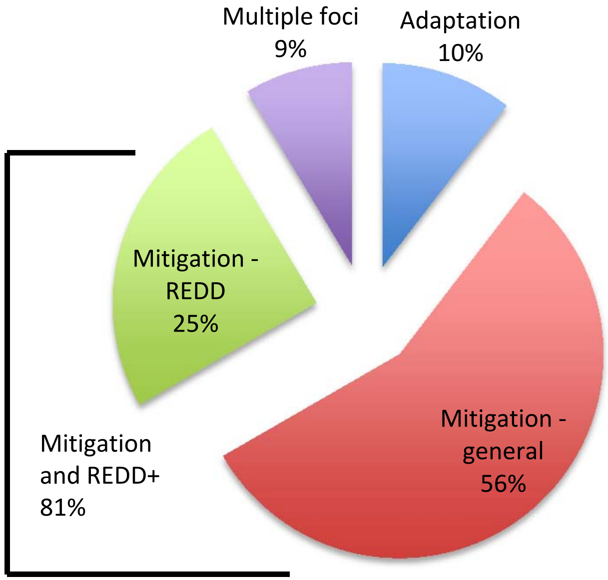
- Volume
- Balance between mitigation and adaptation
- Prioritization for vulnerable developing countries
- Access

Fast Start Finance current country shares as of 02 July 2012

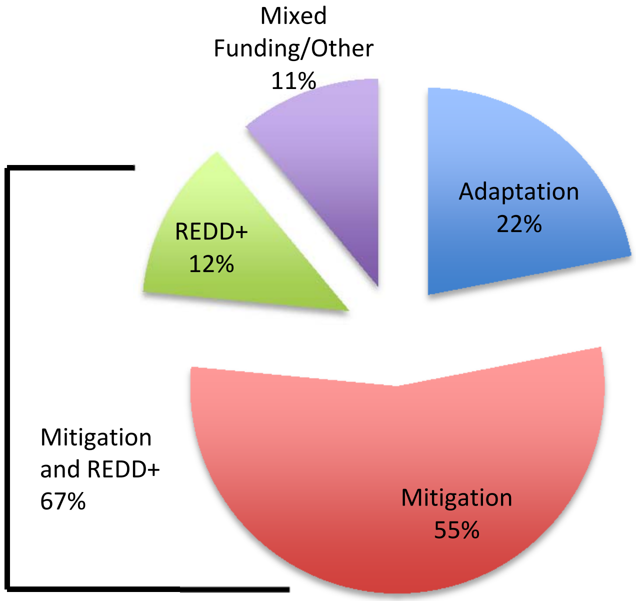


Balance between thematic areas

Historical Distribution between thematic areas (2004-2012)

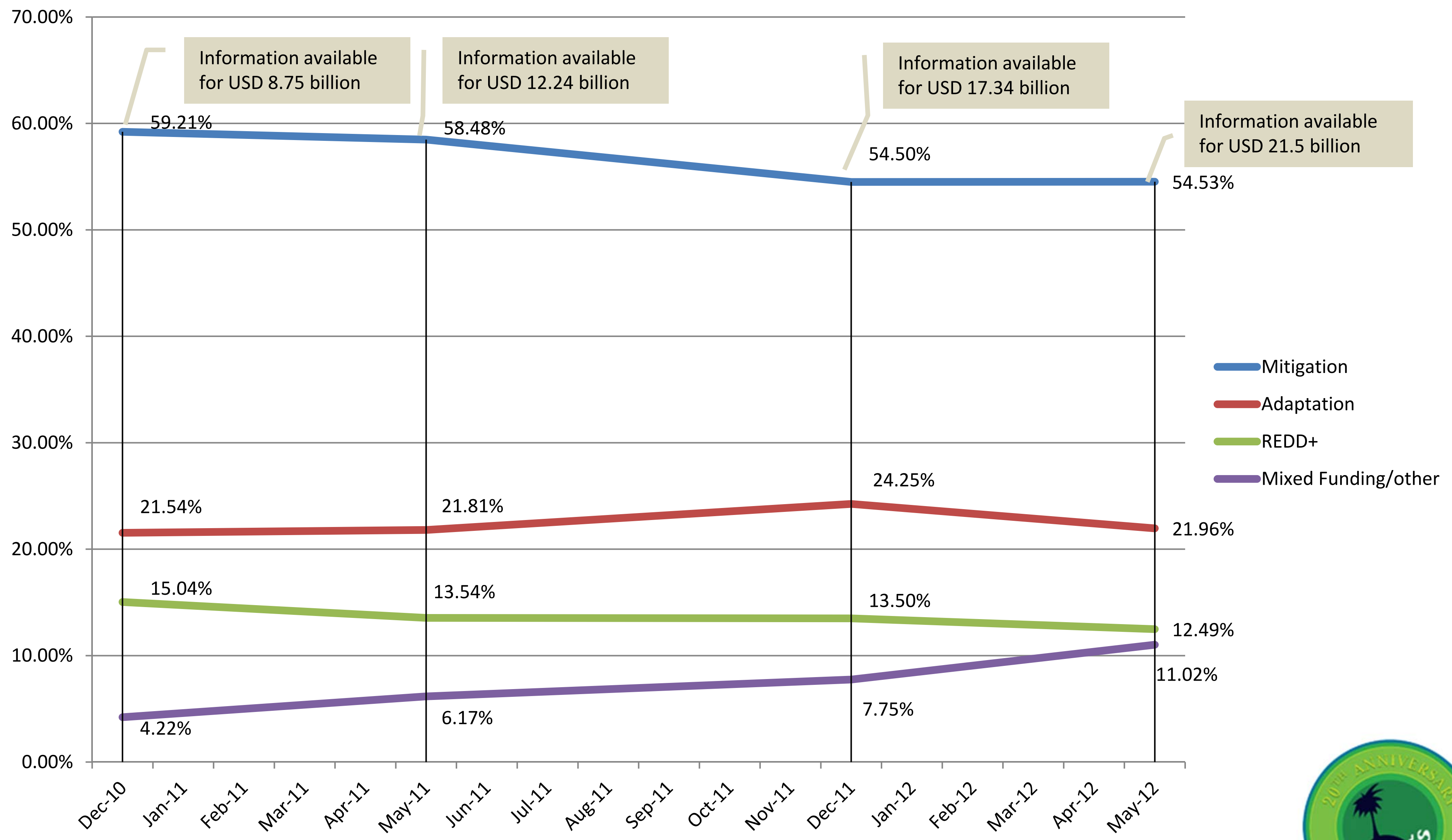


Distribution between thematic areas in Fast Start Finance (2010-2012)



Source: ODI HBF (2012)

Evolution of FSF distribution across thematic areas



Prioritization of SIDS, LDCs and Africa

- Difficult to determine due to **diverse level of details**:
  1. Some Parties stated the proportion of their FSF directed to vulnerable countries;
  2. Only Japan and New Zealand have specific numbers or statistics for amounts allocated to SIDS, LDCs and Africa;
  3. Other Parties: data have to be reconstructed from project lists (difficult when FSF is channeled through multilateral channels)
- **Different understanding of what “prioritizing”** means : in terms of volume, direct access, instruments (grants, loans) ?

Access to FSF

- Information provided in the reports is very unequal
- **Limited share through direct access**: so far only **USD 125million** (approx. **0.4%** of total FSF) **was channeled through the AF, while CIFs attracted USD2.8bn (8.65%)**
- When channeled through multilateral banks, their usual procedures apply (SIDS at usual disadvantage due to capacity constraints)
- When channeled through bilateral agencies their procedures apply, specific priorities. Lesser diplomatic presence is a disadvantage for SIDS, LDCs and African Countries

Lessons learned from FSF

Mobilization of resources

- FSF demonstrated the capacity to scale-up and mobilize substantial amounts of public funding in a limited period of time
- Some re-adjustments between adaptation and mitigation happened at individual country level
- <u>A promising innovative source</u> was experienced: auctioning of ETS allowances (Germany) whose revenues are clearly <u>new and additional</u> and <u>earmarked</u> for climate financing.

Predictability
Burden sharing / Intermediate target

- There was no agreed definition of burden sharing among developed countries for FSF. How to ensure it all adds up to 30bn?
- Not all Parties had announced their pledges for the entire period.
- A discussion initiated under LCA at the May session on a possible intermediate target (i.e. another 3 year period).

  This would ensure predictability and avoid a financial post-2012 gap.

Balance between Adaptation and Mitigation

- FSF shows that it is possible to achieve balance between mitigation and adaptation – Australia, UK, Iceland
- Public financing will be required for supporting adaptation in developing countries
- Partners have been less forthcoming in supporting adaptation projects and programmes in vulnerable developing countries

Definitional issues accounting/common reporting framework

- Different thematic categories used for reporting > doesn't allow for comparability
- New and Additional: no agreed definition, only few countries put forward a definition (base year, increase in ODA, use of innovative sources…)
- Role of private finance expected to increase in the long term. Private sources, funding for export credit agency etc… how to account for these?
- How to account for different financial instruments: i.e. grants and different types of loans?