High Level Ministerial Dialogue on Climate Finance

UNFCCC | COP28 Dubai

Thank you, the UNFCCC Secretariat, for inviting Oxfam to contribute to this important event. Thank you, Ministers, COP28 Presidency, Esteemed Speakers, and our audience for prioritizing the urgent discussion on climate finance.

The climate crisis is about inequality and injustice. Let's look at a tale of two disasters. In 2021, Germany faced devastating floods affecting 40,000 people. Within weeks of the disaster, the German government mobilized 35 billion US dollars. In 2022, in Pakistan, 33 million people were impacted by the devastating floods. But Pakistan, a country with a significant debt burden, struggled to raise the necessary funds for recovery. Only $10 billion was raised by January 2023.

And there's a twist - 90 percent of that sum came in the form of loans. Pakistan finds itself deeper in debt, facing years of repayment on the loans and interest. This is an injustice. Rich countries mobilize funds swiftly when disasters hit within their borders, but fail to do so when they occur in the Global South.

This COP started with the establishment of the Loss and Damage Fund, and a first round of financial pledges to the fund. But these have not even reached one billion yet. At this pace, it would take half a century to raise the necessary finance for Pakistan to address the impact of that singular event. In 2023, global investment in renewables reached $1.7 trillion. But the vast majority went to just five countries (including the EU). Only $10 billion, a fraction, is allocated to renewable energy in Africa, according to the IEA.

At this COP, we need a global agreement on tripling renewable energy and investments. But developing countries will require support to achieve this goal. At this COP, we need to establish a Global Goal on Adaptation, which will also require a lot of finance– way beyond the current support for developing countries. Unfortunately, there has been an actual decrease in adaptation finance, contrary to the Glasgow commitment to double adaptation.

Developing countries cannot mobilize the finance needed for climate action, and wealthy countries fall short of their commitments. The situation is only getting worse as countries fall deeper into debt crises, and as climate impacts get stronger. Article 9.5 of the Paris Agreement, is about the predictability of climate finance. Predictability is what developing countries need to plan the investments needed for climate action.

However, there is nothing predictable about climate finance as it is currently being delivered. But why? We know that money is not a problem. We see trillions being mobilized swiftly for military ventures. Why is the same urgency not applied to climate finance, for the sake of justice, equity, humanity and our shared planet?

Let us look at transparency in climate finance reporting. It has been suggested by developed countries and the OECD that the 100bn goal will be achieved this year. But, there is zero public evidence of this. There is a need for transparency here, so that it can be verified and assessed.

For example, the questionnaire data compiled by the OECD to aid the production of developed countries Climate Finance Delivery Plan is not publicly available. Data to confirm if the US$100 billion goal was met in 2023 will not be published until 2025.

On Loss & Damage: We welcome the decision to operationalize the fund, We recommend that this is incorporated into the art 9.5 biennial communications for future submissions to provide clarity.

There are questions that we need to find answers for at this COP

1. Can we agree on a definition of climate finance? What should count as climate finance?

   Otherwise, we will continue to see a significant difference between the reported overall amounts and the real value of provided.

   This is relevant as we are moving towards a new finance goal, in the NCQG discussions.

2. Can we agree on a balance between adaptation and mitigation?
   According to CARE, only six wealthy countries have presented serious plans in their second biennial communication submissions for redressing this imbalance.

3. Can we agree that loans should not be counted at their face value but at their grant equivalent value?

   Let me provide a bit more context on loans here. It's unjust that developed countries are providing over 70% climate finance in the form of loans, pushing developing countries into debt burden.

   What is even more concerning is the increase in non-concessional loans.

   Most guilty in using these non-concessional instruments are the Multilateral Development Banks. In 2019–20, an estimated 80% of non-concessional finance was provided via MDBs.

   Let's reflect on this, as we continue to talk about the need for reforming the global financial architecture.

- Also, Multilateral channels do not have any reporting requirements under Article 9.5, hence funding is far less transparent.

For instance, Oxfam analysis shows that the World Bank's climate finance figures cannot be independently verified due to transparency issues. We estimate the Banks figures could be off by 40%. This is huge.

4. Can we agree that private investments are not the same as public finance?

5. Can we also agree that climate finance will be new and additional and it doesn't impact on pledges towards other aid flows? According to CARE, over 93% of climate finance reported between 2011-2020 has been taken directly from development finance budgets.

Finally, here are two simple suggestions to improve predictability for developing countries.

- The first, good old budget support.
- The second, debt relief - and by the way, this shouldn't count as climate finance.

Rich countries, climate finance is not an act of charity. It's a negotiated legal obligation; a matter of justice; and an essential element of the grand bargain in the Paris Agreement. Your failure on climate finance could undermine the Paris Agreement and the Convention itself. Most importantly, it threatens the well-being of billions impacted by the climate crisis.

Thank you.

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