FINANCING FOR WHOM?

FEMINIST ANALYSIS ON THE GLOBAL CLIMATE FINANCE LANDSCAPE

Asia Pacific Forum on Women, Law and Development

A Story of Nining Darmo and her Sinking Island

Nining Darmo, a 52 year old woman from Jeruksari Village on the northern coast of Java Island, Indonesia, anxiously watches her beautiful village disappear due to the tidal flood (*rob*) and sea level rise. The *rob's* occurrence cannot be predicted. Since 2010, the situation has worsened as the *robs* often occur at least two to three times a month. Once this happens, the excess water stays for several months.

She had never experienced *rob* when she was young. The beach line in her younger years was around 3 km from her house. There were many fish and shrimp ponds which served as the main sources of livelihood for the villagers. Now the beach line reaches the front of her house. The fish and shrimp ponds disappeared and are now underwater. The roads, trees, including the coconut trees on the beach, the rice fields and the neighbour's houses are also submerged underwater. Many villagers tried to embank the flood by buying soil, but many gave up and they had to move out of the village.

Some years ago, the local government built an embankment on the coast to prevent *rob* from happening in her village. However, this did not fully prevent its occurrence and the neighbouring villages suffered even more. Moreover, floods from overflowing rivers due to increasingly heavy rains cannot flow to the sea because of the embankment. So, many parts of her village are now trapped in puddles.

The experience of Nining and the other villagers is not an isolated case for Indonesia only, but it is a common reality among developing countries who require financial support to adapt to the sea level rise and other climate change impacts. Annual climate adaptation finance needed in developing countries could range from US$ 140 billion to US$ 300 billion by 2030 and rise from US$ 280 billion to US$ 500 billion annually by 2050.[1]

Climate finance has to flow from rich, industrialised countries in the Global North to the developing countries in the Global South to reduce emissions, promote adaptation to climate change impacts and increase the resilience of human and ecological systems, as well as to avert, minimise and address the realities of loss and damage. This notion is based on the Principles of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC) stated in the United Nations Framework Convention on Climate Change (UNFCCC) article 3 paragraph 1 and article 4 paragraph 1, signed during the Earth Summit in Rio de Janeiro in 1992. This principle states that it should not only be the historical but also the present responsibilities of the rich, industrialised countries, as they keep financing and subsidising fossil-fuel industries.

The Kyoto Protocol: Shifting Climate Actions to the Global South

The Kyoto Protocol, adopted in 1997, reaffirmed that the developed countries are responsible for the current high levels of the greenhouse gas (GHG) emissions in the atmosphere and legally bound them to limit and reduce GHG emissions per agreed individual targets. Countries under the Protocol must meet their targets primarily through national measures. However, the Protocol also allows additional means to meet their targets by agreeing to three market-based mechanisms: International Emissions Trading, Clean Development Mechanism (CDM), and Joint Implementation (JI). The CDM allows a developed country with an emission-reduction or emission-limitation commitment to implement an emission-reduction project in developing countries. Such projects can earn saleable Certified Emission Reduction (CER) credits, each equivalent to one tonne of CO_2, which can be counted towards meeting Kyoto targets. Hence, a flexible market mechanism for reducing GHGs was established based on the trade of emissions permits. This mechanism is the forerunner of the market-driven policies within the UNFCCC and the beginning of shifting the responsibilities for climate actions to the developing countries.

Typical CDM projects are:[2]

- **Energy:** renewable energy projects such as hydropower, wind, solar and biomass; energy efficiency measures such as energy-savings lamps and energy efficiency measures in industries;
- **Transport:** low-carbon transport such as bus rapid transit and electric vehicles;
- **Urban:** methane recovery and utilisation from wastewater and solid waste treatment; and
- **Agriculture and natural resource management:** biogas and forestry.

[1] United Nations Environment Programme. (2021). *Adaptation Gap Report 2020.* https://www.unep.org/resources/adaptation-gap-report-2020

[2] Asian Development Bank. (2011). *Clean Development Mechanism: Overview (CDM Briefs Series No. 1).* https://www.adb.org/sites/default/files/publication/29055/cdm-brief-01-overview.pdf

The Copenhagen Accord:
Shifting from Legally Binding to Non-binding Responsibilities

The 15th Conference of the Parties (COP15) to UNFCCC in Copenhagen in 2009 endorsed the continuation of the Kyoto Protocol. However, the outcomes of COP15 facilitated the birth of a non-legally binding agreement called the Copenhagen Accord. This Accord included agreements that the developed countries would strengthen their existing targets and the developing countries would implement mitigation actions to slow the growth of their carbon emissions under the supervision of the UNFCCC. The Copenhagen Accord also recognised the need to mobilise financial resources from developed countries to achieve the carbon emission cut targets. For this purpose, the developed countries committed to raise funds of US$ 30 billion from 2010–2012 from new and additional resources[3] and set a goal to raise US$ 100 billion per year by 2020, from a wide variety of sources including private financial markets, to help developing countries cut carbon emissions (mitigation). Hence, the Green Climate Fund (GCF) was born as an operating entity of the financial mechanism of the UNFCCC.[4]

The Paris Agreement:
Push for low Carbon Economy in the Developing Countries

As an outcome of COP21 in 2015, developed countries reaffirmed their commitment to mobilise US$ 100 billion a year in climate finance by 2020 to support mitigation and adaptation in developing countries. Developed countries also committed to continue mobilising finance at this level until 2025 as reflected in the Paris Agreement.[5]

It was also agreed that by 2020, countries must submit their plans for climate actions, otherwise known as Nationally Determined Contributions (NDCs), to show their carbon emission reduction targets. Implementation of the Paris Agreement requires an economic transformation in developing countries into low-carbon economies. This transformation will shape the direction of development in developing countries, hence, the peoples have to be included in all stages of discussions around the NDCs. Unfortunately, women and their communities have testified that this does not happen in most developing countries.[6]

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[3] New and additional means do not take the existing money flowing from the developed industrialised countries to developing countries, known as the ODA (Official Development Assistance), as agreed in the UN General Assembly in 1970 that is considered as the historical responsibilities of the former colonialist countries. The amount agreed is 0.7 per cent of the national income of the respective countries.

[4] United Nations Framework Convention on Climate Change. (2010). *Report of the Conference of the Parties on its fifteenth session, held in Copenhagen from 7 to 19 December 2009: (Addendum) Part Two: Action taken by the Conference of the Parties at its fifteenth session.* https://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf

[5] United Nations Framework Convention on Climate Change. (n.d.). *The Paris Agreement*. https://unfccc.int/process-and-meetings/the-paris-agreement

[6] Wattimena, P. (2022, June 12). *Undisputed Lived Realities: Feminist Stories in Their Resistance Against Climate Emergencies*. APWLD. https://apwld.org/undisputed-lived-realities/

Where is the Money?

To successfully transition to sustainable net zero emissions and world resilience, the need for climate financing was estimated at US$ 4.5 - 5 trillion annually.[7] Meanwhile, the climate finance from public and private sources reached US$ 632 billion in 2019/2020. This means that an increase of at least 590 per cent in annual climate finance is required to tackle climate crises by 2030 and to avoid the most dangerous impacts of climate change.

Developed countries have not kept their promise - made in Copenhagen and affirmed in Paris in 2015 - to mobilise US$ 100 billion a year in climate finance by 2020 and to continue mobilising finance at this level until 2025. On the one hand, climate finance mobilised by developed countries increased from US$ 52.2 billion in 2013 to US$ 58.6 billion in 2016 and to US$ 78.9 billion in 2018.[8] Yet, countless studies have shown that those numbers are significantly inadequate. On the other hand, the Group of 20 (G20), whose members are mostly developed industrialised countries who made the Copenhagen and Paris promises, still subsidise fossil fuel projects amounting to more than US$ 3 trillion since 2015 and accounts for nearly three-quarters of the global carbon emissions that drive global warming.[9]

The estimated needs of climate finance is in trillions of US dollars. How can developed countries meet their historical and present responsibilities of financing this need, when they cannot even meet their financial commitment of providing US$ 100 billion? Considering the current need to urgently take real and impactful actions to tackle climate crises, the commitments have to be in trillions and not in billions anymore.

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[7] Climate Policy Initiative. (2021). *Global Landscape of Climate Finance 2021*. https://www.climatepolicyinitiative.org/wp-content/uploads/2021/10/Full-report-Global-Landscape-of-Climate-Finance-2021.pdf

[8] Independent Expert Group on Climate Finance. (2021, March 11). *Delivering on the $100 Billion Climate Finance Commitment & Transforming Climate Finance: Key Findings & Messages [PowerPoint Presentation]*. G-24 technical Session on: Delivering on Climate Finance to Support Better Recovery and Climate Goals. https://www.g24.org/wp-content/uploads/2021/03/Richard-Calland-and-Amar-Bhattacharya_Independent-Expert-Group-on-CF-MARCH-2021.pdf

[9] Carrington, D. (2021, July 20). *'Recklesss': G20 states subsidised fossil fuels by $3tn since 2015, says report*. The Guardian. https://www.theguardian.com/environment/2021/jul/20/g20-states-subsidised-fossil-fuels-2015-coal-oil-gas-cliamte-crisis

Who Makes the Decisions and Where Does the Money go?

Climate finance flows from public and private sources and is channelled through various bilateral and multilateral initiatives under the UNFCCC financial mechanisms as well as outside of it. Some countries have also established their own national climate fund. Since the source of money for public funds is the national government budget, the government is the main decision maker on the use of funds for climate mitigation and adaptation initiatives through its various ministries - mainly the Ministry of Finance, Ministry of Foreign Affairs or Ministry of the Environment. Meanwhile, the private financial institutions decide their own climate investments.

There are three funds under the UNFCCC financial mechanism which are the Global Environmental Facility (GEF), Adaptation Fund (AF), and the GCF. The country's representatives at the UNFCCC sit in the governing bodies called the Council (GEF) and the Board (AF and GCF). These bodies decide on the operational policies and work program including project proposals. For example, the 194 countries party to the UNFCCC established GCF in 2010. The GCF Board consists of 24 members, composed of an equal number of members from developing and developed countries. The Board members usually come from the Ministry of Foreign Affairs, Ministry of the Environment or the Ministry of Finance of the respective countries. Their decision is based on consensus and each Board member has one vote in line with the UN voting system (one country, one vote).

Outside the UNFCCC mechanism, Multilateral Development Banks (MDBs) finance climate mitigation and adaptation activities.[10] These MDBs are created and owned by countries through the buying of shares. The shareholders send their representatives to sit on the Board of Directors which is responsible for the direction of the general operations of the bank including taking decisions regarding policies and investments. An example is the Asian Development Bank (ADB) which was established in 1966 and currently owned by 68 member countries: 49 from Asia and 19 from Europe and America. The ADB Board of Directors mostly come from the Ministry of Finance of the respective countries. The voting power of the countries in ADB is based on their respective shares. As of 31 December 2021, ADB's five largest shareholders are Japan and the United States (each with 15.6 per cent of total shares), the People's Republic of China (6.4 per cent), India (6.3 per cent) and Australia (5.8 per cent).[11]

The *Kreditanstalt fuer Wiederaufbau* (KfW) is an example of a bilateral financial institution that finances climate measures. The KfW is a German state-owned investment and development bank. Their Federal Ministry of Finance, in consultation with the Federal Ministry for Economic Affairs and

[10] Soentoro, T. (2022). *Unpacking Climate Finance.* APWLD. https://apwld.org/wp-content/uploads/2022/03/Climae-Finance-Briefer.pdf

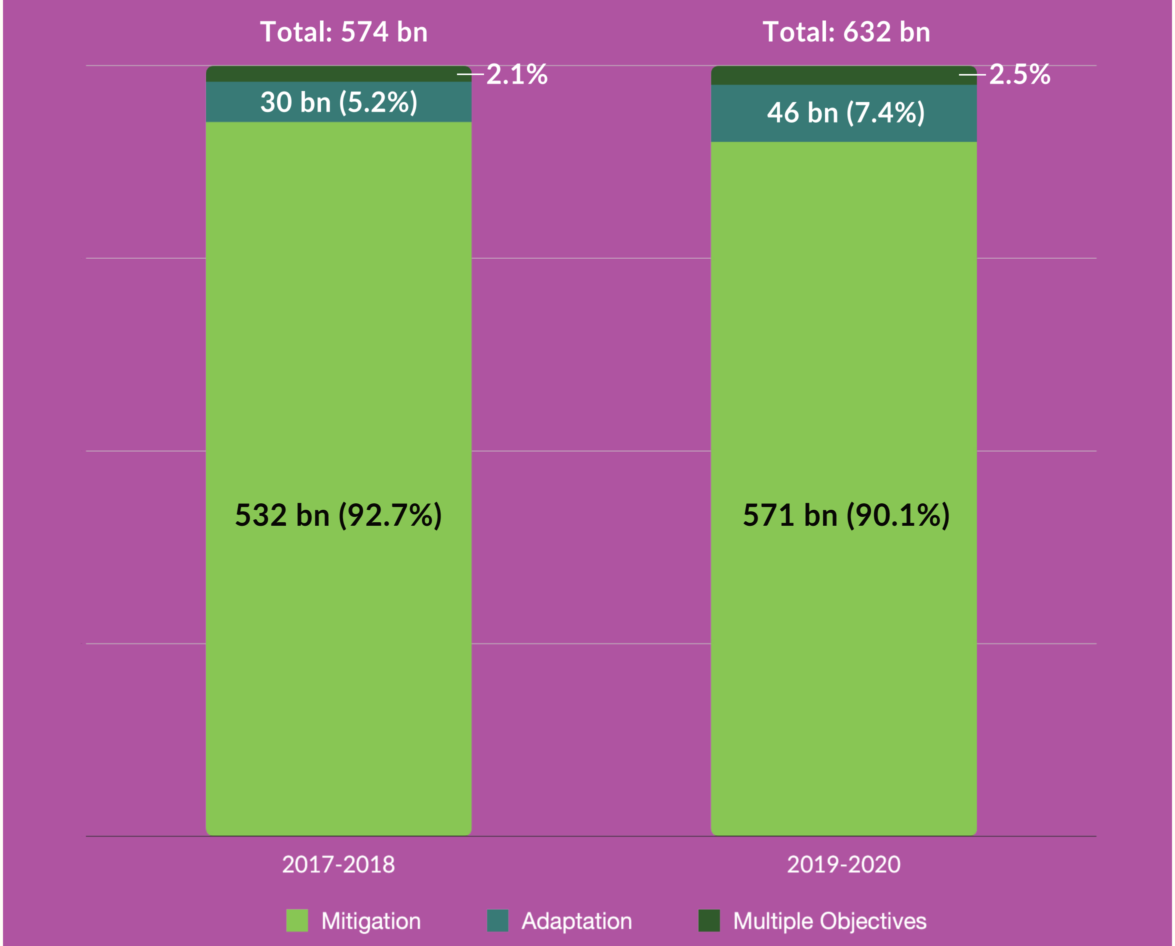
[11] Asian Development Bank. (n.d.) *Credit Fundamentals.* ADB. https://www.adb.org/work-with-us/investors/credit-fundamentals

Energy and the Federal Audit Office (*Bundesrechnungshof*), appoints the Board of Supervisory Directors that has the function of a shareholder (e.g. approval of financial statements).[12]

Aside from the public fund, private financial institutions also invest in climate mitigation and adaptation initiatives. Private sector organisations are owned, controlled and managed by individuals, groups or business entities. As owners, they decide where their climate investments go. It is evident that the decision making power of the private sector goes hand in hand with the rise of profit-driven climate solutions implemented on the ground.

The global climate finance flowing from public and private actors increased in the last decade, from US$ 364 billion in 2011/2012 to US$ 632 billion in 2019/2020.[13] The majority of the financing went to mitigation with a total of US$ 571 billion in 2019/2020, with another US$ 15 billion for adaptation finance with dual objectives of mitigation and only US$ 46 billion for climate adaptation measures.

Graph 1: Biannual average climate finance by mitigation, adaptation and dual objectives (in USD)



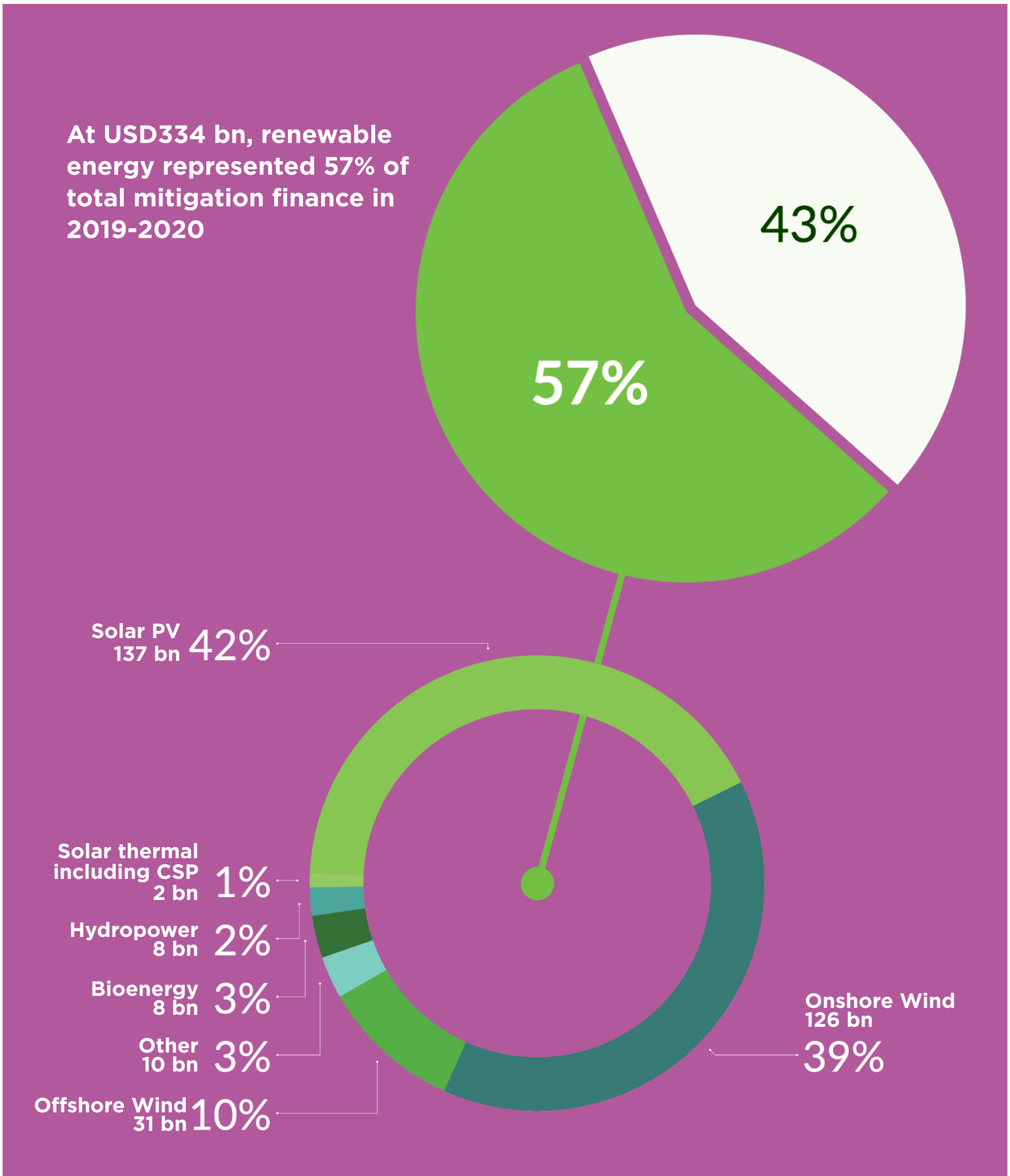
Source: Climate Policy Initiative, Global Landscape of Climate Finance 2021

[12] Kreditanstalt fuer Wiederaufbau. (n.d.). *International Financing.* KfW. https://www.kfw-entwicklungsbank.de/International-financing/KfW-Entwicklungsbank/

[13] Climate Policy Initiative. (2021). *Preview: Global Landscape of Climate Finance 2021 [PowerPoint Presentation].* https://www.climatepolicyinitiative.org/wp-content/uploads/2021/10/Full-report-Global-Landscape-of-Climate-Finance-2021.pdf

The public sector continues to provide almost all adaptation finance, while the private sectors mostly provide mitigation finance. The mitigation finance was mostly for the energy system (US$ 334 billion) and transport (US$ 175 billion). Energy system investments include the investments in renewable fuel production (e.g., biofuels and biogas), renewable power and heat generation assets, transmission and distribution networks, along with support to policy and national budgets and capacity building. The global adaptation finance mostly went to water and waste management, a little bit for lands, and also unidentified cross-sectoral finance.

Graph 2: Renewable energy investments by sector as a share of mitigation finance (in USD, 2019/2020 average)



Source: Climate Policy Initiative, Global Landscape of Climate Finance 2021

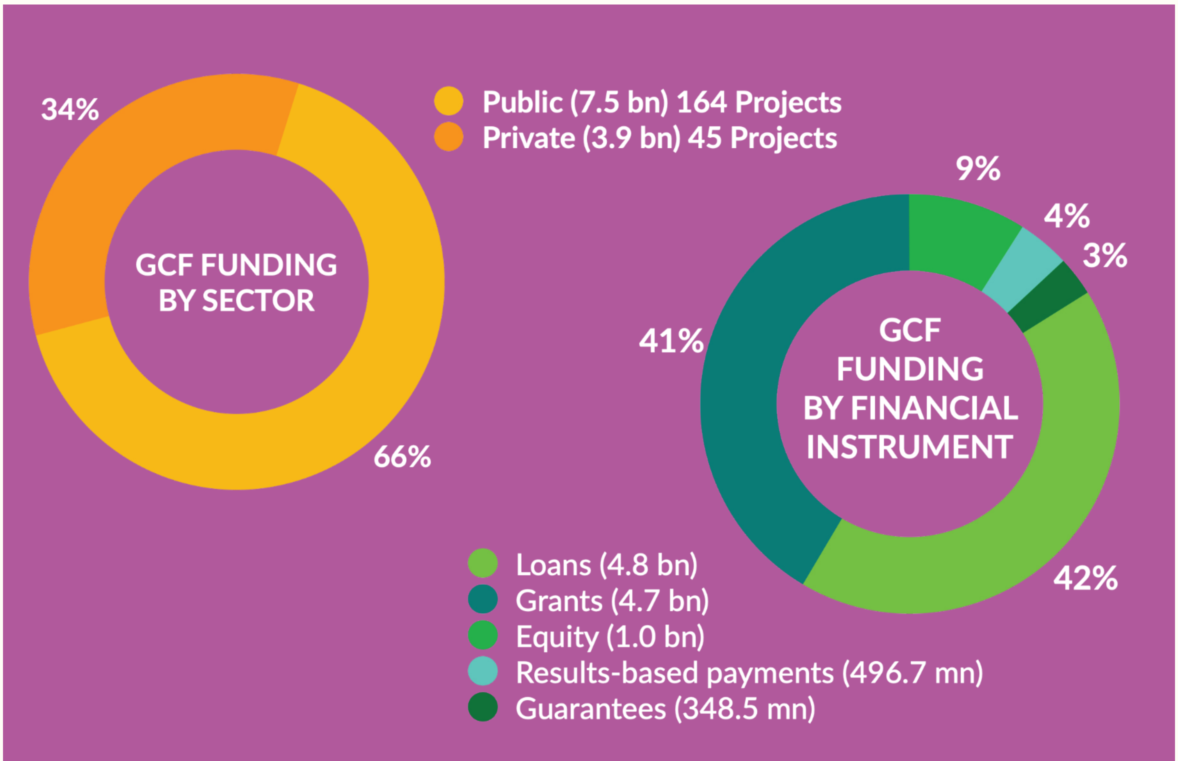
Fifty-seven (57) per cent of the mitigation finance (US$ 324 billion) in 2019/2020 went to renewable energy including solar, wind and bioenergy to name a few. As shown by the figure above, the main recipient of climate finance is the solar and wind energy power sector. The private sectors continue to provide the majority of mitigation investment for renewable energy, amounting to US$ 223 billion (69 per cent). Moreover, the private sector accounted for more than half (54 per cent) of all mitigation finance flows.

Debt comprised the majority of climate finance — 61 per cent (US$ 384 billion) — in 2019/2020. Equity investments, the next largest category after debt, reached 33 per cent of total climate finance, which increased from 29 per cent during the previous period. Grant finance comprised only six per cent of total flows.

An **equity investment** is money invested in a company or a financial institution by purchasing shares of that company/institution in the stock market. A stock exchange typically trades these shares. If GCF, for example, approves a project proposal on equity investment, then it means that GCF provides the proposed amount, owns a share in that project and will receive a dividend from the project.

It is a concerning trend that more GCF finance goes to equity to support new financial institutions founded by the Accredited Entities to GCF. This means that GCF finance goes primarily to financial institutions without upfront clarity about GCF safeguards and gender policies on the ground.

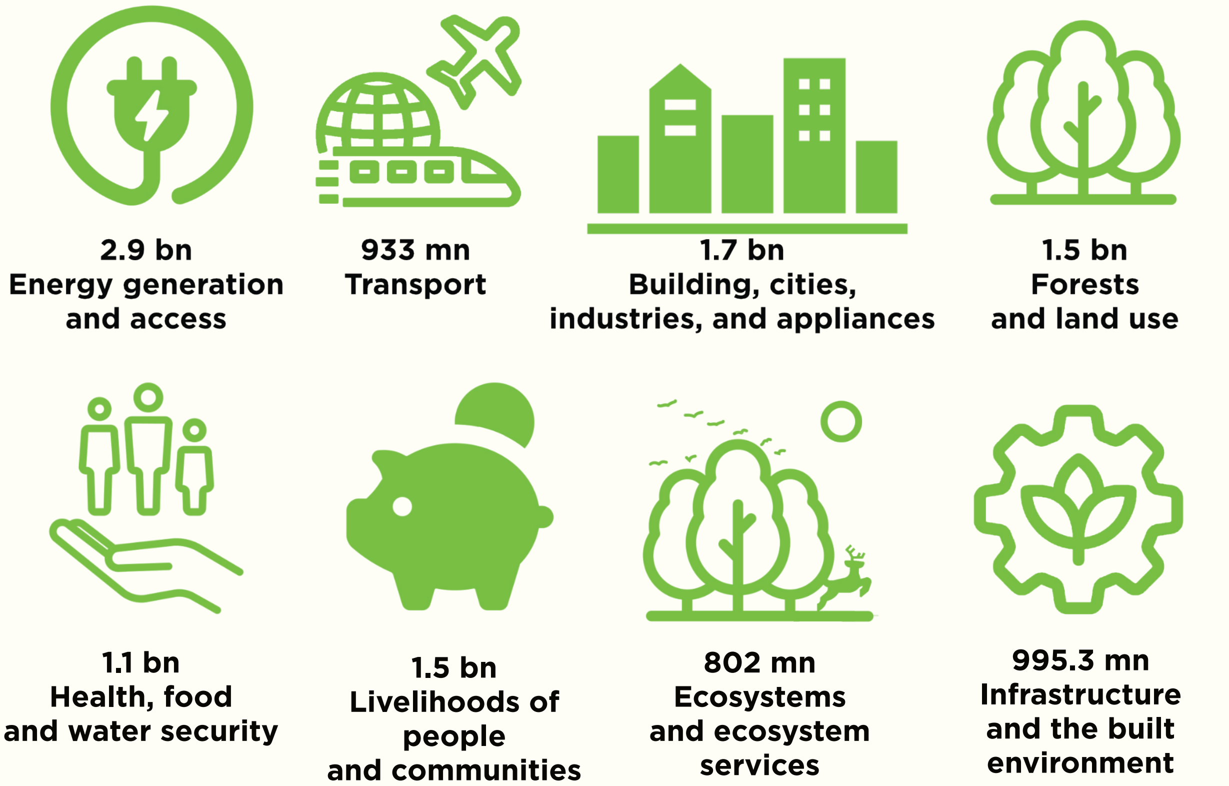
Graph 3: GCF Funding (in USD) by sector, and by financial instrument



Source: GCF at glance as of 15 March 2023[14]

[14] Green Climate Fund. (2023). *GCF at a glance.* https://www.greenclimate.fund/document/gcf-glance

Graph 4: GCF investments (in USD) by sector



Source: GCF at glance as of 15 March 2023

As per 15 March 2023, GCF approved 209 projects spread across 128 developing countries. A big part of the financing amounting to US$ 7.03 billion has been allocated for mitigation activities.

Some concerns raised by Civil Society Organisations (CSOs) monitoring the GCF regarding the project proposals in Asia since 2015[15,16] include the following:

- **Enhancing climate resilience in Thailand through effective water management and sustainable agriculture,** proposed by the United Nations Development Programme (UNDP) in October 2021. Concerns raised by more than 50 Thai farmers groups, peoples' organisations, Community-Based Organisations (CBOs) and Non-Governmental Organisations (NGOs) were regarding: (a) the poor participation of key stakeholders, especially farmers, women, CBOs and local NGOs in all the project stages from the design to implementation and monitoring. As of now, the processes observed were all top-down decision-making by Royal Irrigation Department (RID), the implementing entity; (b) lack of information about the environmental and social safeguards conducted that engaged the key stakeholders like farmers, local communities and local NGOs in an inclusive and meaningful manner; and (c) lack of information about setting up an accountability mechanism in the project. The project was approved and is now under implementation. The local community gathered together as 'GCF Monitors Thailand' to monitor this project.

[15] Green Climate Fund Watch. (2021, October 4-7). *Project Tracker: GCF Observer Network – Interventions at GCF B30*. GCF Watch. https://www.gcfwatch.org/project-tracker

[16] Green Climate Fund Watch. (2022, October 17-20). *Project Tracker: GCF Observer Network – Interventions at GCF B34*. GCF Watch. https://www.gcfwatch.org/project-tracker

- **Mitigating GHG emissions through modern, efficient and climate friendly clean cooking solutions** proposed for Nepal by the Alternative Energy Promotion Centre, Ministry of Energy, Water Resources and Irrigation, Government of Nepal in the 30th GCF Board Meeting in October 2021. The CSOs' concerns regarding these projects were about: (a) zero consultation with the Indigenous Peoples' (IPs) groups in Nepal that clearly violated the GCF IPs Policy and adherence to Free, Prior and Informed Consent of Indigenous Peoples; and (b) lack of reference to women and IPs' participation and representation in project governance and implementation architecture that may overlook the needed equitable access of IPs, women-headed households and other marginalised communities to clean cooking stoves and other components of the project. The project was approved and is now under implementation.

Climate finance should help transform the existing extractive high carbon/GHGs economy and development into a regenerative and sustainable low-carbon/GHGs-based development, as well as strengthen the communities' resilience against climate change crises. Paradigm and system change are needed. Unfortunately, this does not happen. The historical and present responsibilities of the developed, industrialised countries to financially support the reduction of fossil fuel dependency in the developing countries and help increase the capability of their communities facing the climate crisis, are watered down.

Increasingly, climate finance is used as a means to push developing countries to receive investments in new energy sources that are claimed as low carbon but are environmentally and socially unsustainable. The historical responsibilities become investment opportunities for their corporations, industries and consultants. Many climate financiers still finance massive, destructive and unsustainable climate projects that exacerbate the climate crisis faced by climate-affected peoples and violate their rights. The primacy of low carbon projects neglected other important policies such as safeguards (protection measures) and gender policies, as well as environmental sustainability. GCF financed projects provide examples of the push for unsustainable low carbon initiatives.

Loss and Damage

Alliance of Small Island States (AOSIS) and Least Developed Countries (LDCs) fight for responsibility and compensation for the loss and damage due to human-induced climate change, while the developed industrial countries always refuse. The Paris Agreement recognises the importance of averting, minimising and addressing loss and damage associated with the adverse effects of climate change and encourages countries to work through the Warsaw International Mechanism. However, many see this mechanism focusing more on research and dialogue rather than demanding responsibility or compensation.

A breakthrough in this situation happened when COP27 in Egypt was closed on 20 November 2022 with an agreement to provide 'loss and damage' funding arrangements for vulnerable countries hit hard by climate disasters. The agreement includes an establishment of a Transitional Committee to make recommendations on the new funding arrangements to the following COP28. The first meeting of the Transitional Committee is expected to take place before the end of March 2023.[17]

[17] United Nations Framework Convention on Climate Change. (2022, November 20). *COP27 Reaches Breakthrough Agreement on New "Loss and Damage" Fund for Vulnerable Countries.* UNFCCC. https://unfccc.int/news/cop27-reaches-breakthrough-agreement-on-new-loss-and-damage-fund-for-vulnerable-countries

Feminist Demands for Gender Just Climate Finance

1. Women's knowledge and experiences must form the basis of decisions regarding any project interventions for climate solutions, sustainable development and/or any other investments including to determine the directions of climate finance flow.

2. Developed countries must provide financial resources according to the CBDR-RC principle, to assist developing countries in implementing the UNFCCC, particularly in their adaptation and mitigation measures as well as loss and damage. This should be based on their needs, consent and determined direction of development centered around the protection and fulfilment of women's human rights.

3. Loss and damage finance needs to be integrated into the Financial Mechanism of the UNFCCC in the form of grants and be readily mobilised as an urgent response to the most affected groups, including women, Indigenous Peoples and other communities vulnerable to climate change.

4. Greater transparency is essential to ensure that countries' commitments to climate finance are additional to their existing international development commitments without double counting or counting funds for unclear climate ambitions and actions.

5. Climate finance flows must come in the form of grants, not loans. Climate loans contribute to the vicious cycle and debt burden of many developing countries vulnerable to climate crises. To achieve climate justice, sovereign debt payments must be cancelled and developed countries must provide financing that does not create debt dependencies for developing countries. Developed countries must pay their fair share of climate and ecological debt to developing countries.

6. Transformative economic development that changes the existing extractive way of doing business into a sustainable low carbon/GHGs economy must put primacy on women's human rights, sustainability of livelihoods and peoples' sovereignty.

7. The gender-just economic transition has to ensure energy democracy that prioritises energy for communities based on their needs rather than for industry. Communities must have power to decide whether and how they want to use the energy sources, as well as have a direct access to climate finance.

8. Just and equitable transition from the current climate crises requires radical transformation of economic policy frameworks to tap innovative sources of public finance such as a global financial transaction tax, the redirection of military budgets, additional taxes on arms trade, extractive and shipping industries, the elimination of tax havens and tax evasion from transnational corporations and wealthy individuals.

9. Private sectors must be ruled out from the climate finance decision making and implementation processes. The transformation into a sustainable economy should remove the misconception that without the financial contribution from the private sector, emissions reduction will not happen. On the contrary, the private sector's interventions in climate finance increase the integration of false solutions into climate negotiations that worsens the situation of women, Indigenous Peoples and other communities affected by and vulnerable to climate crises.

About APWLD

The Asia Pacific Forum on Women, Law and Development (APWLD) is the region's leading network of feminist and women's rights organisations and individual activists. For 35 years, we have been carrying out advocacy, activism and movement-building to advance women's human rights and Development Justice.

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