Climate finance and aid – implications for Australia

Jonathan Pickering
Research Associate, Development Policy Centre, The Australian National University (ANU)
PhD Student, Centre for Applied Philosophy and Public Ethics (CAPPE), ANU

jonathan.pickering@anu.edu.au
Climate finance: not aid as usual…

- Climate and development objectives - largely but not always complementary
- Large scale of needs relative to aid flows
- Multilateral framework of negotiations and governance
- Distinct nature of funding obligations
Developing countries' climate finance needs vs funding

- **Estimated needs [2030]**
  - UNFCCC 2007
  - World Bank 2009
  - Copenhagen Accord [2020]

- **Commitments / comparable funding**
  - Global aid (all sectors) [2009]
  - Global fossil fuel subsidies [2009]

The chart shows the comparison between the estimated needs and commitments/comparable funding for climate finance, with data from various sources. The values are measured in USD billions per year.
... but we don’t need to start from scratch

- Many climate measures make good development sense, and vice versa
- Core principles shared between climate finance and aid effectiveness (e.g. mutual accountability)
- Common challenges to effectiveness: institutional capacity, poor governance etc
- Lessons from decades of aid experience will be indispensable
Climate finance - Australia's contributions from the aid budget

- $1.2 billion pledged over 5 years
- Possible trajectory (constant % of total aid budget)
- Fast-start commitment ($599 million)
Australia’s fast-start finance – current thematic focus

% of total commitment (A$599 million)

- Adaptation: 52%
- REDD+: 24%
- Other mitigation: 24%
Australia’s fast-start adaptation finance – regional distribution

% of A$285 million allocation (2010-12)

- Pacific: 47.0%
- SE Asia: 16.8%
- Africa: 8.8%
- South Asia: 8.1%
- Caribbean: 0.4%
- Multilateral UN: 8.4%
- Other: 10.5%
Funding priorities

- **Adaptation**: substantial scale-up needed beyond the Pacific to reach populous vulnerable regions
- **REDD+**: build on investments in Indonesia, moving towards programmatic, results-based approaches at national level
- **Energy**: support cost-effective multilateral initiatives
Delivering funds effectively

- Build partner countries’ capacity to access and manage funds
- Expand results-based approaches
- Develop new approaches for measuring a range of impacts – avoid ‘emissions reductionism’
- Continue to strengthen AusAID’s capacity to mainstream climate concerns
Coherent public strategy on climate finance needed, addressing:

- Sources of additional funding
- Agency roles in policy development, negotiations and program delivery
- Funding priorities
- Approaches to delivering and monitoring funds
The need to identify longer-term sources of finance

* If Australia’s proportional contribution to the global 2020 commitment remains the same as its fast-start commitment (2% of total). Actual public funds required will depend on burden-sharing arrangements and role of private flows in meeting overall commitment.