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Working Paper

THE UK FAST-START FINANCE CONTRIBUTION[1]

SMITA NAKHOODA AND TARYN FRANSEN WITH ALLISTER WENZEL, ALICE CARAVANI, AND KIRSTEN STASIO

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 UK efforts to provide "fast start finance" (FSF) in 2010/11 and 2011/12 in the context of the pledge by developed countries to mobilise funds approaching USD 30 billion from 2010 to 2012 under the United Nations Framework Convention on Climate Change (UNFCCC). It is part of a series of studies scrutinising how developed countries are defining, delivering, and reporting FSF.

The UK has a major role to play in delivering FSF. It is one of the richer economies in the developed world. Like other developed countries, it bears historic responsibility for contributing to the global accumulation of greenhouse gases. Key characteristics of the UK FSF contribution are quantified in Figure 1.

The UK has made a substantial effort to mobilise climate finance. Finance has been channelled through the Environmental Transformation Fund in 2010/11 and through the International Climate Fund (ICF) in 2011/12. GBP 1.06 billion had been spent and committed as of November 2011. It has also committed climate finance beyond the FSF period through the International Climate Fund (ICF), which will spend GBP 2.9 billion between April 2011 and March 2015.

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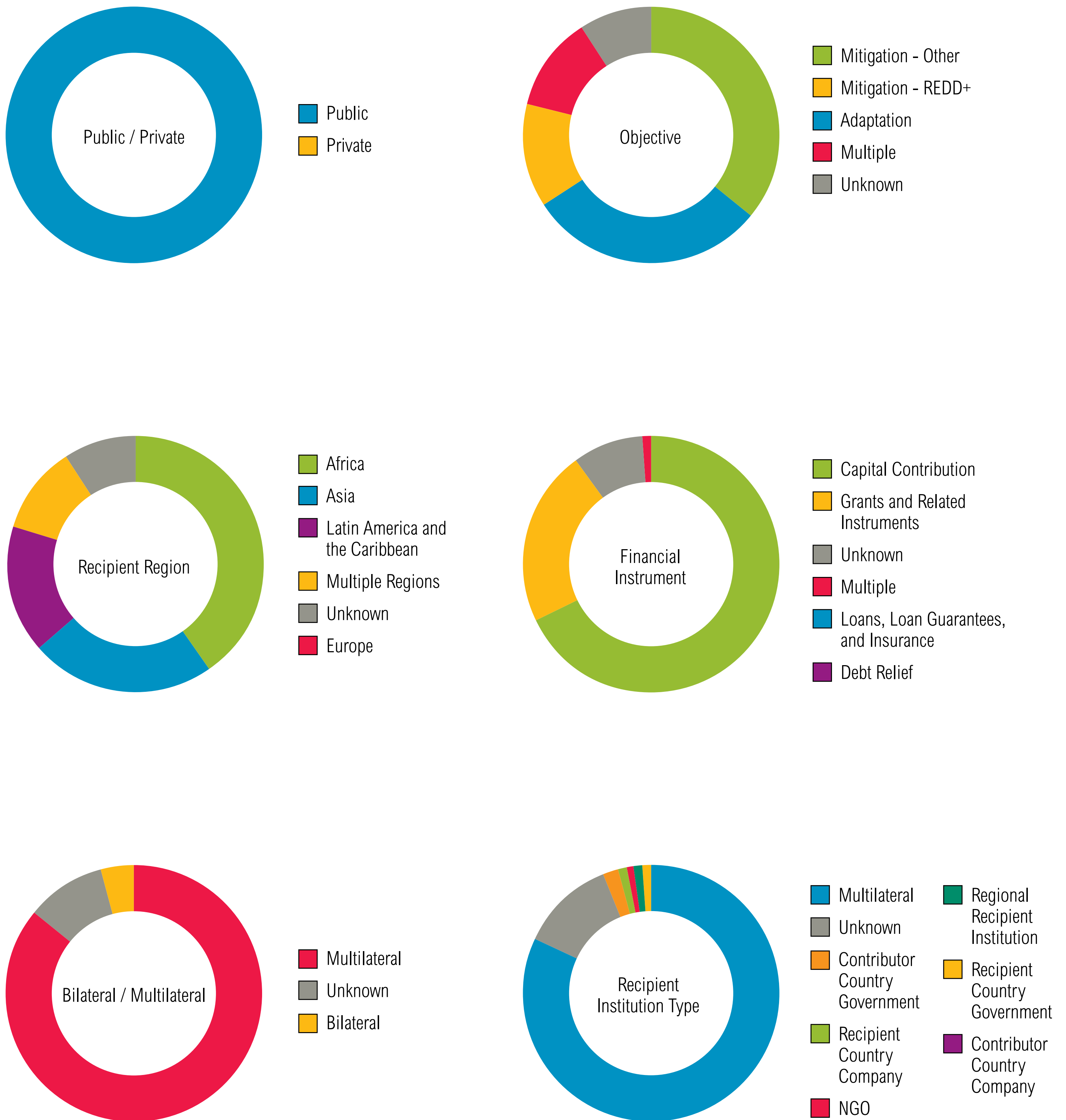
Figure 1 | **Overview of UK Fast-Start Finance**



The majority of UK finance is spent by multilateral institutions, in the form of capital contributions. UK contributions of GBP 715 million to the Climate Investment Funds (CIFs) administered by the World Bank in partnership with Regional Development Banks constitute the largest share of its FSF.

The UK does not count private finance toward its FSF contribution, but it does count non-grant instruments as well as development assistance. The majority of the projects supported do seem to have climate change as a principal objective.

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 UK has substantially increased international finance that explicitly targets climate change. The UK is also counting as FSF projects and programmes that it was funding – and that were likely delivering climate benefits – prior to the FSF period. Much of the funding counted was pledged prior to the FSF period, notably the contributions to the CIFs and Congo Basin Forest Fund. Climate finance appears to be increasing at a significantly faster rate than development assistance.

The UK is relatively transparent about its FSF spend, but more can be done. The UK discloses a list of projects and programmes to which FSF has been directed to interested stakeholders, and to the European Commission (EC) on an annual basis. The UK's adoption of new transparency standards for its administrative processes is substantially strengthening its performance in this regard. Specifically, it participates in the International Aid Transparency Initiative (IATI) for its official development assistance (ODA) spending. In this context, government departments are now required to disclose the business case for all projects that receive public support. A business case presents the key components and purpose of the programme, and how it contributes to the achievement of relevant government UK strategic objectives. This includes relatively comprehensive information on the institutions receiving funding and implementing projects.

There is a need to improve access to information in practice. The commitment to disclose business cases was made in January 2011 and has not been applied retroactively. In practice, few business cases have yet been made available. We do note some discrepancies between aggregate and project-level reporting, although we recognise that the project list is a snapshot at a given moment in time of the collection of FSF recipients. As new systems to improve reporting and disclosure on the status of programmes funded by the UK government are implemented, we should expect to see higher levels of transparency realised in practice.

We recommend that the UK:

- Disclose underpinning project-level spending information alongside aggregate reporting
- Ensure that project lists consistently specify the recipient institution for finance to reduce discrepancies and enhance transparency
- Work in cooperation with other donors and multilateral institutions to strengthen and harmonise reporting on climate finance, particularly with regards to the status of disbursement
- Ensure that business cases for approved projects are publicly disclosed in a timely manner by all ICF implementing departments

INTRODUCTION

In the midst of widespread cuts on government spending, the British government has committed to meet its international goal of increasing official development assistance to 0.7% of gross national income (GNI), and to scale up its support to developing countries' efforts to respond to climate change. This commitment is made in the context of developed countries' pledges under the UNFCCC to provide "fast-start" finance "approaching USD 30 billion for the period 2010 – 2012." These pledges were first articulated in the Copenhagen Accord of 2009, and reiterated in the Cancun Agreements of 2010 (see Box 1). The UK has made commitments to continue to provide climate finance beyond 2012, the end of the FSF period, through the ICF.

This study considers the scope and distribution of the UK's climate change finance in a global context. There are divergent views on what "counts" toward international climate finance in general, and FSF in particular. Contributor countries have also taken different approaches to delivering and reporting on their climate finance spending. This has impeded an informed discussion of the adequacy of efforts in this regard. This assessment is one in a series of Open Climate Network (OCN) studies, developed in collaboration with the Overseas Development Institute

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 prioritised for the most vulnerable developing countries, such as the least developed countries, small island developing States and Africa.
>
> Source: UNFCCC. Decision 1/CP.16 Paragraph 8.

(ODI), that aims to shed light on how developed countries are defining, delivering, and reporting FSF.

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 ends – particularly 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 finance approaching USD 30 billion in "fast-start" funds for the years 2010-2012 and USD 100 billion annually by 2020. Parties to the UNFCCC have recognised 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 and cope with 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,[2] public finance mobilised 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,[3] private climate finance to date has tended to support mitigation objectives. Adaptation efforts are highly dependent on public funding.[4] 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.

The politics of climate finance

This paper reviews the scale, objectives, and modalities of climate finance with reference to many of the issues that have been debated under the UNFCCC. Developed and developing countries have different views about *channelling 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 organisations, which generally give contributor countries greater voice. *Financial instruments* have also been a source of debate: many developing countries and non-governmental organisations (NGOs) hold that climate finance – especially adaptation finance – should be delivered primarily in the form of grants to avoid burdening developing coun-

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

Estimates of the level of 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 USD 86 billion annually by 2015. The UNFCCC puts the price tag at USD 28-67 billion per year by 2030, while a 2010 World Bank study estimates it at USD 70-100 billion per year between 2010 and 2050. For mitigation, estimates from the World Bank, the Climate Group, and the UNFCCC range from USD 100-170 billion per year by 2030; the International Energy Agency has also published estimates out to 2050.

While developed countries' 2010 FSF reports indicated they had collectively generated USD 10 billion of the USD 30 billion FSF pledge, some developing countries have said that as little as USD 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 unharmonised 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.

tries with additional debt. However, capital contributions, and guarantees are often seen as appropriate instruments by other stakeholders including some developed country governments. The issue of how to mobilise 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.[5] We therefore consider the sources of the finance that the UK has mobilised 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, recognising that most finance has prioritised 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 UK 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 distribution of the UK 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 UK 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 unharmonised reporting guidelines, 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 themes, 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.

METHODOLOGY AND APPROACH

This assessment reviews the self-reported UK FSF contribution for 2010/11 and 2011/12,[6] describing it with regard to issues of both pragmatic and political significance as outlined above. These include the themes and activities supported, channelling institutions and financial instruments employed, recipients, and the extent to which the finance might be considered new and additional. Throughout the assessment, our aim has been to clarify what the UK is counting as FSF and discuss the implications of its contribution, without taking a position on what should "count" toward the international FSF pledge.

To prepare this assessment we consulted a variety of official sources of information. First, we reviewed the UK government's self-report on the status of its fast-start climate finance spending released in November 2011 prior to COP 17 in Durban. In addition, the UK compiles a list of projects and programmes that receive FSF, as it is required to report this information to the European Commission (EC) annually (usually in the spring of each year). In January 2012 the UK government shared an early version of initiatives supported in 2011/12 to facilitate this study. We also referred to the UK FSF report to the EC for 2010/11 spending (DFID et al. 2011, EU 2011). In addition, we engaged with key personnel at the UK Department for International Development (DFID) and the UK Department of Energy and Climate Change (DECC) to better understand the scope and objectives of the International Climate Fund (ICF), and access missing data.

We used this documentation to identify the project descriptions, amount, contributor country agency, and, where relevant, the multilateral channelling institution and the fund for each project or programme. Where possible, we also identified the financial instrument and information regarding the recipient (including region, country, and recipient institution).

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 objectives of the project as they relate to climate change. As of late 2011, the UK government is required to disclose a business case for all programmes that it funds, which provided substantial information. The DFID project database also includes some information describing programme scope and objective. Our desk research also often led us to additional sources of information about initiatives included in the FSF list, such as web sites administered by funding recipients, press releases, commentary, or other supporting information.[7] We also attempted to cross-reference the FSF projects reported for 2010/11 with those in the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC). However, data was not available for 2011/12 expenditure, and there was often inadequate information available to facilitate accurate cross-referencing.[8]

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 analysed 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 UK 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 that was coordinated through OCN and included representatives of bilateral and multilateral institutions involved in climate finance, as well as independent experts.

FINDINGS

What the UK counts as FSF

The UK counts the following sources of finance as FSF:

- Funding committed under the Environmental Transformation Fund (ETF), which was superseded as the International Climate Fund in 2011, much of which is spent through multilateral funds
- A small number of projects from DFID's 2010/11 and 2011/12, some of which are managed by international multilateral institutions

Quantification: The disclosure of an aggregate list of initiatives that benefit from UK FSF (often referred to as a "project list") allows substantial quantification of the UK FSF spend. However, the list is a snapshot at a given moment in time. The UK counts capital contributions and loans, grants, and mixed financial instruments toward its FSF. All of these programmes initiate with DFID, DECC, or the Department for Environment, Food and Rural Affairs (DEFRA). The UK government has pledged to make GBP 1.5 billion in FSF available by the end of 2012. The UK has also made finance commitments beyond the close of the FSF period, and the ICF is expected to deliver GBP 2.9 billion by the end of March 2015.

Table 1 | **UK FSF Reporting Practices at a Glance**

REPORTING PARAMETER	UK PRACTICE
Aggregate Information	
Objectives supported	Identified in general terms in the FSF project list for the most part.
Channelling 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.
Financial instrument	Included, although the same programmes have not always been labelled consistently between year.
Geographic distribution of countries supported	Included.
Disbursement status	Not specified: spent and committed funds are aggregated together. Reporting standards for multilateral funds vary.
"New and additional" criteria	Not explained.
Eligibility criteria	Not explained.
Project-specific Information	
Objectives	Usually specified in project description.
Channeling institution	Always identified.
Financial instrument	Specified.
Recipient countries & institutions	Much of the UK FSF spend is channelled through multilateral institutions. Information on the recipient institution is available when business cases are included, but this information is not always available, particularly for projects approved prior to 2011. This information is included in project lists on an ad hoc basis. Information on recipients was not available for 12% of finance included in the FSF project lists.
Disbursement status	The status of project expenditure is often available through the DFID website, although not consistently.

Eligibility: The eligibility criteria for the UK FSF have not been entirely clear, although efforts are presently underway to agree on indicators against which the low-carbon development, adaptation, and reducing emissions from deforestation and forest degradation (REDD+) components of the ICF spend will be monitored and evaluated. Furthermore, ICF efforts are expected to focus on a small number of strategic countries, although the list of priority countries has not been officially disclosed.

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

Details were available on 91% of the GBP 1.06 billion FSF spent and committed according to self-reporting

UK self-reporting in the lead-up to the Durban COP suggested that GBP 1.06 billion had been "spent and committed" as of November 2011 (DFID et al. 2011, UK 2011). The UK project lists for 2010/11 and 2011/12 detail how GBP 961 million (91%) of this finance has been spent. Information on how the remaining GBP 48 million of FSF had been committed was not available.

Table 2 | **Channels for UK Fast-Start Finance**

CHANNEL	MILLION GBP	PERCENT
ICF (2011/12)	392.86	41
ETF (2010/11)	490	51
DFID (2010/11)	78	8
Total	961	100

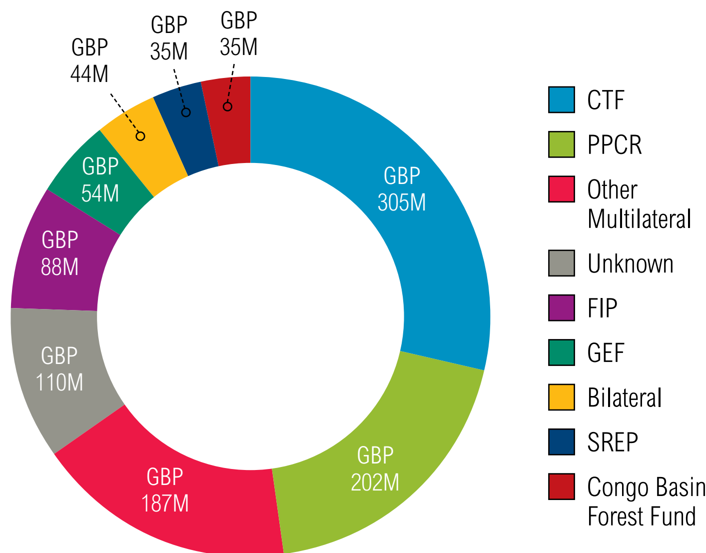
Regarding the initiatives detailed in the project list, after desk research we were unable to find adequate information to make judgments against all of the parameters identified for 43 of 135 initiatives, worth a cumulative GBP 67.48 million or 7% of the finance detailed on the list. Project links for about 15% of the projects listed were missing, and 109 initiatives did not have a business case. The commitment to disclose business cases was only made in late 2011, however, and the majority of the spending in the project lists took place before adoption of this standard.

The majority of UK FSF is channelled through multilateral institutions

The ICF is composed of the following departmental allocations: GBP 1.8 billion from DFID, GBP 1 billion from the DECC, and GBP 100 million from DEFRA. An inter-Departmental governing board considers programming of ICF resources in the context of an Implementation Plan approved by Ministers. Projects endorsed by the Board are subsequently approved under delegated authority arrangements by Ministers in spending Departments. DECC is playing an increasing role in the development and delivery of projects under the ICF. Programming decisions and reporting take place at the fund level.

Figure 1 presents the overarching channelling institutions and mechanisms for the UK FSF spend. More than 75% of this finance to date, GBP 822 million, has been directed through dedicated multilateral climate funds (see Table 2). The scope and distribution of these multilateral funds is well documented, including through resources such as the ODI Heinrich Boell Foundation (HBF) Climate Funds Update web site.[9] The largest share of this finance is the GBP

Figure 2 | **Departments and Funds (FY10-11)**



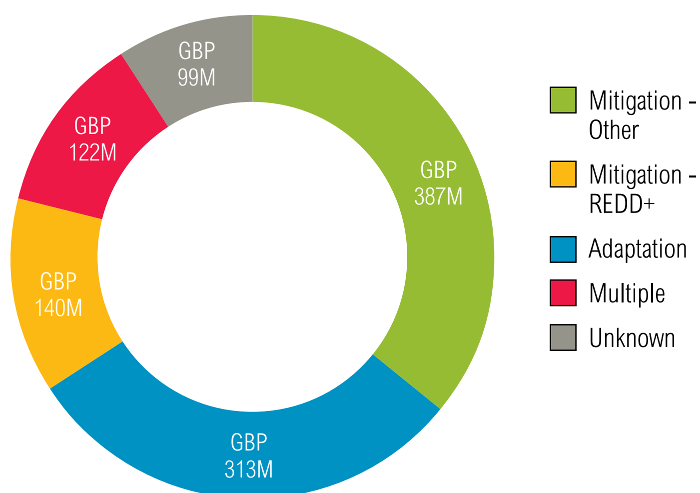
715 million UK contribution to the CIFs, which are administered by the World Bank group in partnership with the Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, and the Inter-American Development Bank.[10] The CIFs were established in 2008 at the initiative of the governments of the UK, U.S., and Japan to help the multilateral development banks (MDBs) 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. To date a total of USD 7.2 billion (GBP 4.5 billion) has been pledged to the CIFs.

In addition, the UK counts GBP 26 million of its contribution to the Climate and Development Knowledge Network (CDKN) toward its FSF as a multilateral channel. CDKN is co-financed by the government of the Netherlands, and helps developing countries with low-carbon and climate-resilient development through provision of research, technical assistance, and expert knowledge in the field.

UK FSF spending is presently weighted toward mitigation

The ICF intends to allocate 50% of its funds to adaptation, 30% to mitigation, and 20% to forestry – primarily for mitigation – over time. To date 33% of funding supports adaptation, 46% supports low-carbon development and mitigation, and 14% supports forestry, while 13% has multiple objectives (see Figure 3). We did not evaluate the effectiveness of UK FSF in achieving these objectives.

Figure 3 | **Objectives of the UK FSF Spend (FY10-11)**



Adaptation is largely financed through the Pilot Programme on Climate Resilience, the Adaptation Fund, and the Least Developed Countries Fund (LDCF)

The UK contributes GBP 287 million to the Pilot Programme on Climate Resilience (PPCR) of the CIFs. The PPCR supports strategic programmes on climate resilience in a subset of pilot countries around the world.[11] The UK also contributes GBP 10 million to the Adaptation Fund of the Kyoto Protocol, which is also co-financed through a 2% levy on sales of certified emission reductions under the Clean Development Mechanism. UK contributions to the Least Developed Countries Fund of the UNFCCC also support adaptation to climate change. There are also a number of initiatives that incorporate climate change dimensions into humanitarian, livelihood, agriculture, flood, and disaster risk management programmes.

Most mitigation finance is directed through the Clean Technology Fund, the Global Environment Facility, and the Scaling-Up Renewable Energy Programme

The UK contribution to the Clean Technology Fund (CTF) of the CIFs is also the primary channel through which it finances *mitigation* to which it contributes GBP 305 million.[12] The CTF supports the deployment of clean technologies in the energy and transport sectors that will deliver cost-effective emission reductions at scale, and support transformational change within recipient countries. The UK also contributes GBP 35 million to the Scaling-Up Renewable Energy Programme (SREP) of the CIFs,[13] which supports the use of renewable energy and low carbon technologies to expand access to energy in 7 least developed countries on a pilot basis. The UK also counts GBP 54 million of its contribution to the Global Environment Facility (GEF) toward its FSF commitments. The GEF supports the incremental costs of mitigation within developing countries, also largely focused on energy and transport. Specific energy-sector interventions and technologies are supported through contributions to these multilateral funds; the remainder of the UK's bilateral spending on mitigation to date has focused on general capacity and institutional issues rather than particular technology applications.

Forestry mitigation finance is channelled primarily through the Forest Investment Programme, the Congo Basin Forest Fund, and the Forest Carbon Partnership Facility

Finally, the UK has been a major proponent of finance to reduce emissions from deforestation and degradation, stressing the scope for such initiatives to offer substantial development benefits as well as relatively low-cost mitigation potential. Through the Forest Investment Programme of the CIFs, the UK contributes GBP 88 million[14] to 8 pilot programmes in forest-rich countries to promote sustainable forest management that leads to emission reductions and protection of carbon reservoirs, by financing readiness reforms that encourage public–private investments. The UK, through its Environmental Transformation Fund, provided GBP 35 million to capitalise the Congo Basin Forest Fund (CBFF) administered by the African Development Bank. The CBFF is also financed by the government of Norway and has a total capitalisation of GBP 100 million to funds programmes that will reduce deforestation in the Congo Basin region. Finally, the UK contributes GBP 10 million to the Forest Carbon Partnership Facility, which is administered by the World Bank to pilot new approaches to REDD+ in developing countries. It has the dual objectives of building capacity for REDD+ in developing countries, and testing a programme of performance-based incentive payments in some pilot countries.

In addition, the UK has bilaterally provided finance to support capacity to measure, report, and verify REDD+ – including experience exchanges between Brazil and the Democratic Republic of the Congo, and research by the

Centre for International Forestry Research. It also supports programmes that address underlying policy and governance considerations relevant for REDD+, including the World Bank-administered Programme on Forests (PROFOR) multi-donor trust fund, and the Forest Governance Markets and Climate Initiative.

The current distribution of climate finance across themes suggests that the UK may have to scale up support for adaptation to meet its allocation guidelines.

Most FSF spending targets climate as a principal objective

To determine the extent to which projects supported by UK FSF target adaptation or mitigation objectives, we attempted to apply the Rio Marker system used by the OECD DAC to the subset of UK FSF projects for which we had substantial access to information. 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.

We found that most FSF funding supports programmes that do indeed target climate as a principal objective[15] (see Table 3). We did find 6 projects — mostly adaptation projects — whose links to climate change were ambiguous based on the information that was publicly available (see Annex 4). While an assessment of on-the-ground impacts of FSF was beyond the scope of this study, we did not find any examples of projects that are likely to have questionable impacts on climate change in either the bilateral or multilateral components of the UK FSF spend. Although the CTF can technically support deployment of high-efficiency fossil fuels, no such projects have been approved to date. With regard to REDD+ spending, some observers have raised questions about the adequacy of the underlying readiness plans that provide the framework for finance through multilateral channels, and about the implications of offering finance to the same logging companies who are responsible for deforestation to change their practices.[16] So far, however, programmes remain in their early stages and there is a limited evidence base from which to assess impact. Finally on adaptation finance, we find little evidence of programmes that could be considered to constitute "mal-adaptation."

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

Table 3 | **Project Type by Climate Objective**

CLIMATE OBJECTIVE	ADAPTATION		MITIGATION	
	%	EXAMPLE PROJECT TYPES	%	EXAMPLE PROJECT TYPES
Principal	89	Contributions to dedicated climate change funds, adaptation plans	94	Contributions to the Clean Technology Fund and GEF mitigation projects, clean energy and technology innovation programmes, civil society participation in the CDM
Significant	2	Ecosystem management programmes without a core focus on climate change, supplementary components to agriculture and food security programmes, disaster risk management without core focus on climate change	3	Renewable energy projects with a primary focus on poverty and livelihoods; support for forest sector governance strengthening without a clear focus on climate change.
Ambiguous	1	Water resource management programmes without an explicit focus on climate change, natural resource programmes without explicit reference to climate change	0	Biodiversity programs involving forest conservation, energy security involving clean energy or efficiency
Insufficient information	8		3	

Note: Projects supporting multiple objectives, as well as the undescribed share of the FSF contribution, are excluded from these figures.

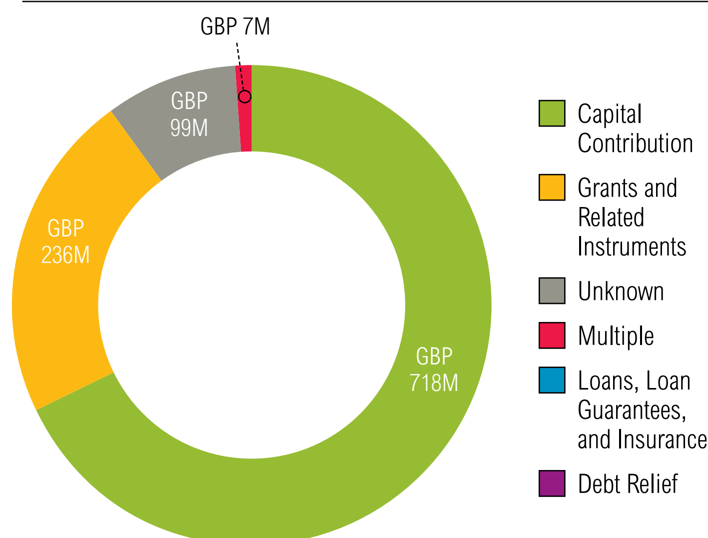
the scale-up of investment in clean technology are not in tension with other projects that invest in conventional fossil-fuel technologies that cause climate change. Similarly, support for efforts to reduce emissions from deforestation and forest degradation should be coherent with other programmes to support economically productive uses of land, including through support for agriculture programmes, which must also be designed to be environmentally sustainable.

About 75% of the UK FSF spend is in the form of capital contributions

Figure 4 presents the financial instruments through which UK FSF has been made available. GBP 718 million of the climate finance spend reflected in the FSF project list is mobilised in the form of capital contributions. Contributions to the CIFs are made as concessional capital contributions.[17] These generally have a 75% grant component (although exact terms vary across each of the CIFs).

The remainder of the UK FSF spend has largely been made available in the form of grants, although there are some cases of mixed instruments (i.e., blends of grants and loans) being used. There were several projects for which we did not have enough information to determine what type of financial product had been made available; therefore this finding should be treated as indicative rather than conclusive. Consistent and comprehensive reporting against these categories will be particularly important as the UK explores innovative climate finance instruments, including to engage and attract private-sector investments.

Figure 4 | **Financial Instrument (FY10-11)**

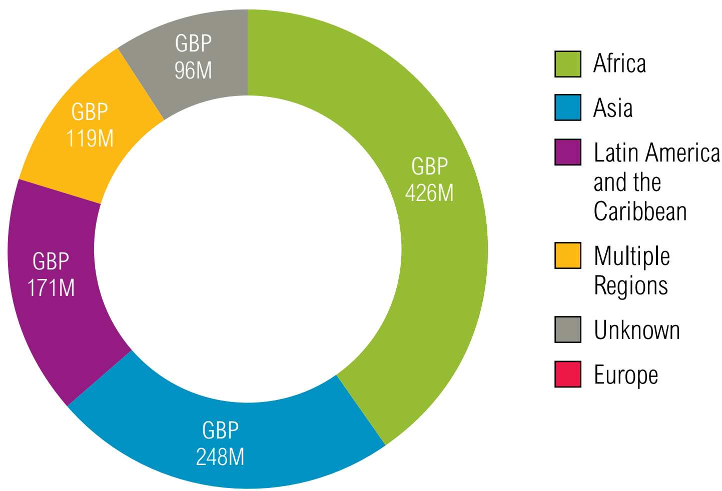


More information on the status of disbursement is needed, including from dedicated multilateral climate funds

It can be difficult to understand the status of implementation of projects receiving UK FSF at present, as finance is categorised as "spent and committed," and does not distinguish the status of spent funds in terms of whether funds have been transferred to intermediaries or recipients, and in turn whether funds have been disbursed. Efforts have been made to provide greater information on this count as the UK government works to adopt the International Aid Data Transparency standard. It is presently not always possible to distinguish between approved projects and projects to which funding has actually been disbursed. In some cases however – particularly for more established projects, and retroactively for completed projects – spending against approved budgets is publicly disclosed. This information can be a very useful indicator of the status of implementation.

More importantly, information on the status of disbursement needs to be provided by the channelling institution entrusted with managing the finance. Many of the dedicated multilateral funds through which the UK 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, the CTF does not report on the status of disbursement of finance to private-sector projects that it supports for business confidentiality reasons. It has begun to report in aggregate on funds disbursed in recipient countries through implementing MDBs on a biannual basis at the meetings of its sub-fund governing committees. The CIFs are also implementing systems to report on disbursement from the trustee to implementing MDBs in real time. The Congo Basin Forest Fund does not report on the status of disbursement at all. The 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 harmonised approaches to monitoring and reporting.

Figure 5 | **Regional Distribution of UK FSF Spend (FY10-11)**



Sources: This chart indicates the regional distribution of spending through both bilateral and multilateral channels. Indications of the regional distribution of funds channeled through multilateral funds are imputed on the basis of the total percentage of multilateral funds received by each recipient country, over the life of the fund, as reflected on climatefundsupdate.org. Findings are not definitive, given the difficulties of imputing regional distributions on this basis.

44% of UK FSF is directed to Africa

Figure 5 presents the regional distribution of the UK FSF spend, including finance channelled through multilateral funds dedicated to climate change. The majority of finance is directed to Africa as a region. Even beyond its contributions to dedicated multilateral climate funds, there is a general tendency for UK FSF to be directed to global, multilaterally administered programmes rather than to specific country initiatives. Many of its programmes target multiple countries and are international in scope. These findings reflect the regions and countries that the UK appears to be targeting with its FSF spend, and do not consider the share of funding that is actually received by entities in those regions and countries.

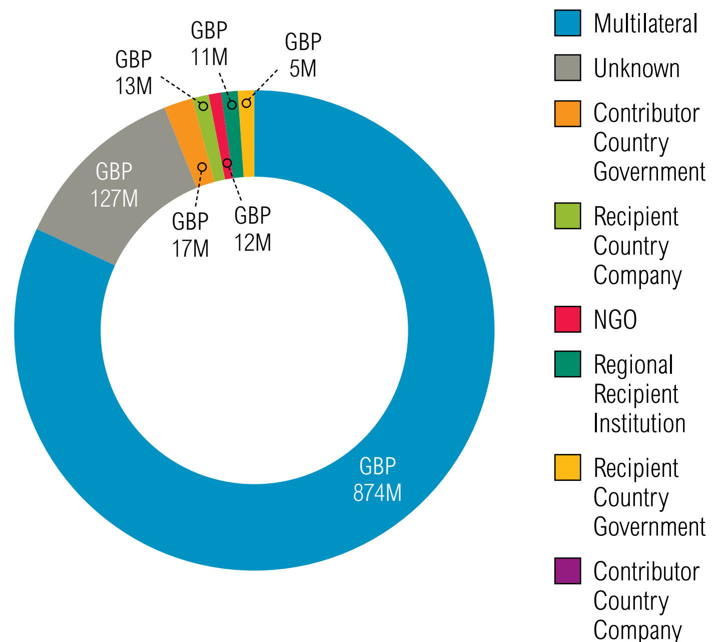
The majority of the UK's climate finance is directed to international programmes that involve multiple countries

Less than GBP 30 million of the UK FSF spend specifies a country to which funding has been directed, as the majority of projects for which documentation was readily available had an international or regional focus. Within the bilateral UK spend (excluding contributions through multilateral funds), our review identifies a number of projects focused on Africa, some in Asia, and a few in Latin America. The top five recipients appear to be Indonesia, Ethiopia, Tanzania, Kenya, and Nepal.

In addition to channelling finance through multilateral institutions, the UK also works through the national country offices of development agencies.

GBP 17 million is channelled to the national country offices of UK agencies such as the UK Foreign and Commonwealth Office (FCO) and DFID, as well as through partner development institutions such as the German Development Cooperation Agency (GIZ) and the French Development Agency (AFD). About GBP 16 million of the UK FSF spend is channelled through national governments and regional organisations directly. Another GBP 13 million is directed to private recipients, largely for consultancy work to support UK objectives, often by developed-country-based institutions. Although this finance is characterised as grant finance, it is important to recognise that such programmes may constitute a special category, as they are not grants given directly to developing country institutions. We were unable to access specific information on the recipients of GBP 28 million in finance across the FSF project list (about 12% of spending by volume). Finally, the UK has begun to experiment with funding

Figure 6 | **Recipients of UK FSF (FY10-11)**



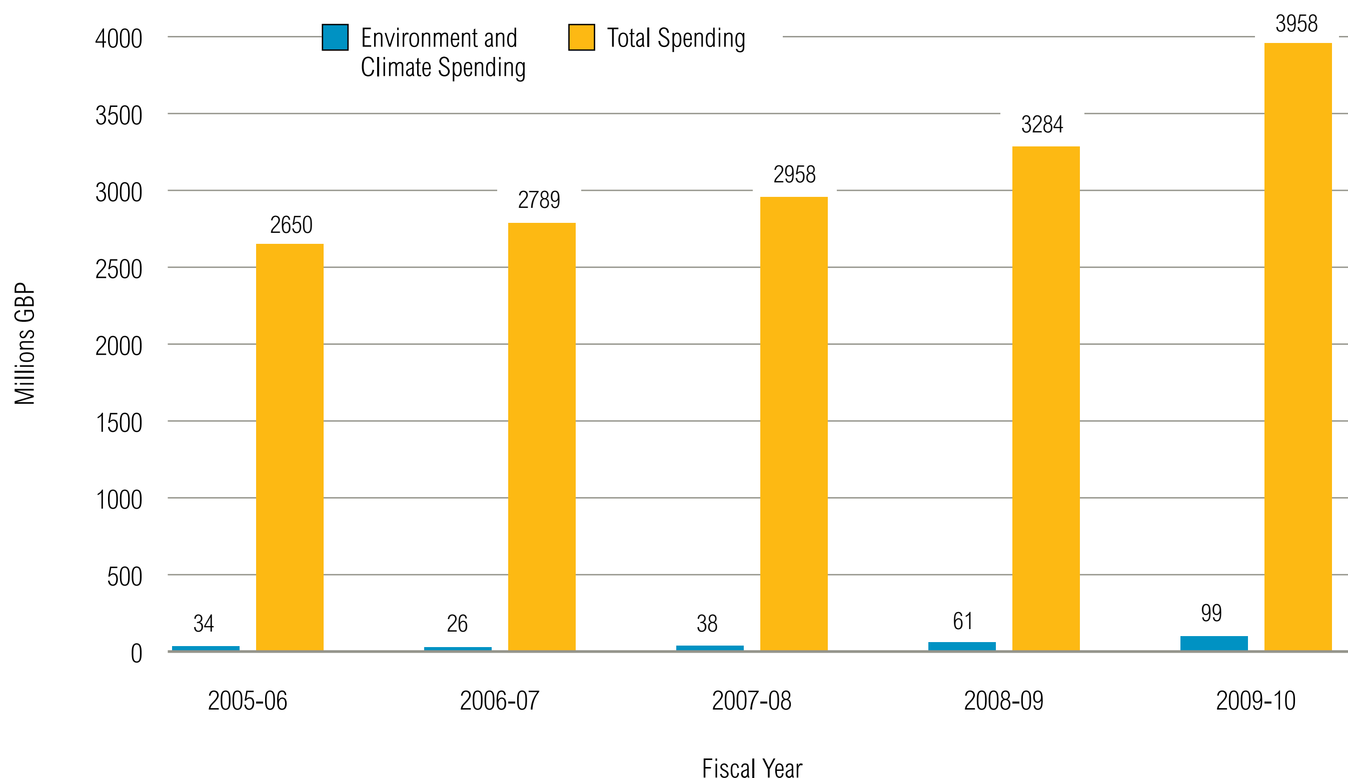
private-sector activity directly. For example, the Climate Public Private Partnerships (CP3) programme will establish equity funds in partnership with the International Finance Corporation and the Asian Development Bank to support private sector investment in clean technology. To date, relatively small amounts of finance have been spent on planning and conceptualising such programmes; over the next year we will see the implementation of these programmes begin, and likely observe greater associated resource mobilisation. Similarly, small amounts of finance have been used for the Capital Markets Climate Initiative (CMCI), which helps to mobilise and scale up private finance flows for low-carbon technologies, solutions and infrastructure in developing economies.[18]

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 UK FSF contribution might be considered new and additional by answering the following five questions.

Does annual UK FSF exceed annual UK environmental spending in the years prior to the fast-start period? Some stakeholders suggest that climate finance must be additional to prior public spending on environmental and climate change issues in developing countries. By this definition, a review of past DFID and government public expenditure reveals a clear increase in environmental component (see Figure 5), even though it has been a relatively small share of total spending. The GBP 560 million in climate-change-relevant finance mobilised in 2010, and the GBP 390 million in 2011, represents a marked increase to the GBP 99 million in environment and climate change spending in 2009.

Figure 7 | **DFID Environment Spending Compared to Overall Expenditure (Million GBP)**



Source: Gross Public Expenditure on Environment Protection from DFID Statistics on International Development 2005/6 to 2009/10, p. 101. Available online: http://www.dfid.gov.uk/Documents/publications1/sid2010/SID-2010.pdf

Does UK FSF "recycle" or duplicate previously pledged climate finance? UK Pledges of finance to the CIFs and the Congo Basin Forest Fund were announced in 2008. These pledges precede the FSF commitment; only contributions to these funds from 2010 onwards are counted as FSF finance, however. Other multilateral climate funds counted in the FSF contribution, such as the Forest Carbon Partnership Facility and the Least Developed Countries Fund, were also supported by the UK prior to the FSF period. UK contributions to the GEF have increased, and only a portion of this contribution has been counted toward the FSF.

Do projects and programmes 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 programmes reported as UK FSF was beyond the scope of this assessment. We observe, however, that several programmes date back many years – and occasionally decades – as does UK support for them. For example, the UK counts support for the Global Village Energy Partnership (GVEP) in its fast start finance commitments. GVEP was established in 2002 at the World Summit on Sustainable Development with the support of the UK government, to work with small and medium enterprises to use renewable energy technologies to address energy poverty in developing countries around the world.[19] Its programmes certainly deliver important environmental and social benefits, including from a climate change perspective. However it has been a beneficiary of UK financial support for nearly a decade. In other cases, climate change has been incorporated into the priorities of longstanding programmes. For example, Programme on Forests (PROFOR), which has been administered by the World Bank as a multi-donor learning partnership, has evolved to have a much more explicit focus on climate change and initiatives to reduce emissions from deforestation and forest degradation.[20] This is a logical progression, which leverages the strong base of engagement on forests and governance that had been built up, and is highly relevant in a climate change mitigation context. However, the UK government has been a long-standing supporter of PROFOR since its inception in 1997. It is unclear whether such programmes have received any additional support as a result of UK climate finance commitments.

Has the UK achieved 0.7% GNI for ODA during the fast-start period? Some stakeholders hold that finance should only be considered new and additional to the pledges that many developed countries made at the Monterrey Summit in 2002 to increase development assistance to 0.7% of their national budgets, which was reiterated by the G8 in 2005. This view reflects fears that increasing climate finance will divert aid from developmental priorities towards environmental projects and programmes. Very few countries meet this targeted level of ODA contribution today. Against this standard, UK's FSF spend is unlikely to count as "new and additional" because it is entirely funded through the Official Development Assistance Budget.

How does the change in UK climate finance from the pre-fast-start period to the fast-start period compare to the change in UK development assistance over the same period? For the UK, total ODA rose 19.4% from 2009 to 2010,[21] compared to a 200% increase in climate finance over the same period. These figures suggest that climate finance is increasing much faster than overall development finance.

CONCLUSIONS AND RECOMMENDATIONS

The UK has made a clear commitment to mobilise GBP 1.5 billion in fast-start climate finance by the end of 2012. To date, it has chosen to programme most of those funds through multilateral channels. It has also set targets to programme 50% of its climate finance for adaptation, 30% for low carbon development mitigation, and another 20% to reduce emissions from deforestation and forest degradation. At present, there is a need to scale up its support for adaptation.

The majority of the UK FSF spend has been directed to dedicated climate funds such as the CIFs, the GEF, and the CBFF. Its contributions to climate funds administered by MDBs have been made in the form of concessional capital, which must be repaid over time, while the remainder of its spend is largely in the form of grants. However, many of its bilateral programmes are also in fact implemented through multilateral agencies, such as the World Bank, regional development banks, or U.N. agencies.

There is a relatively high level of transparency around the UK FSF spend, but more can be done.

While Table 1 highlights important areas for improvement, in general there is a relatively high level of information available on the UK FSF spend. This can largely be attributed to the detailed information that the UK includes in preparing a list of projects and programmes to which

FSF has been directed, which it has made publicly available to interested stakeholders. Furthermore, the level of information available on the FSF spend has increased over the years, with much more information available on spending through bilateral channels in 2011/12 than in 2010/11. We do note some discrepancies between aggregate and project-level reporting, although we recognise that the project list is a snapshot at a given moment in time of the collection of FSF recipients.

The UK's adoption of new transparency standards for its administrative processes is substantially strengthening its performance in this regard. Specifically, it participates in the International Aid Transparency Initiative (IATI) for its official development assistance spending. In this context, government departments are now required to disclose the business case for all projects that receive public support. A business case presents the key components and purpose of the programme, and how it contributes to the achievement of relevant government UK strategic objectives.[22] This includes relatively comprehensive information on the institutions receiving and implementing projects.

There is a need to strengthen access to information in practice.

The commitment to disclose business cases was made January 2011; however, the standards only apply to projects approved thereafter, and have not been applied retroactively to prior projects. In practice, few business cases have been made available yet, and we were not able to access much information on the details of projects approved before this commitment was made through official resources. A lack of information on the implementing or recipient agency precluded further desk research on the scope and objectives of these projects. In some cases the DFID project report aggregates contributions to multiple programmes, without identifying individual recipients. The need to disaggregate such contributions has been recognised by the UK government, however, and efforts are being made to improve practice.

Our research also exposed some gaps in data management systems, as not all business cases – even for projects approved after the adoption of new disclosure standards – were readily available in practice. This relates in part to differences in cross-referencing systems between web-based databases and project lists. It also relates to the fact that DECC has only recently begun to put in place systems for information disclosure on the status of the programmes supported through its share of the ICF budget. It has encountered some administrative delays in acting on these commitments, though efforts are reportedly underway to strengthen these systems. While through basic desk research we were able to gather substantial additional information on many of the supported projects, such research is quite time-consuming and requires substantial prior knowledge to complete. Furthermore, despite our best efforts we were unable to find adequate information on all of the projects on the FSF list.

Going forward, it would be good practice for underpinning project-level spending information to be disclosed alongside aggregate reporting. Project lists should at least consistently specify the recipient institution to reduce discrepancies and enhance transparency. As new systems to improve reporting and disclosure on the status of programmes funded by the UK government are implemented, we should expect to see higher levels of transparency realised in practice.

Better information on the status of project implementation would be valuable.

The UK currently reports on committed and spent projects in aggregate in its FSF self-reporting, and does not distinguish between funding committed to forthcoming programmes and those that have actually begun to get to work. Current online systems for tracking the status of implementation also do not consistently detail the status of disbursement of funds to implementing agencies, particularly for projects that are presently active. They sometimes only report on whether projects are "active" or "closed." More consistent reporting on the status of disbursement of projects is an important tool for tracking and monitoring project implementation as well as enhancing accountability for efficiency, and could significantly strengthen existing systems.

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

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 much of the UK 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 harmonised reporting standards, especially on disbursement across contributor countries and intermediary institutions, may be necessary to increase the transparency of climate finance.

Donor efforts to coordinate monitoring and evaluation of climate change finance should also prioritise 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 Development Assistance Committee of the OECD as well. Finally, UNFCCC negotiations on reporting guidelines, and the forthcoming agreement of a results framework for the Global Green Climate Fund should also support harmonisation around reporting.

The question of whether the FSF that the UK is channelling to developing countries is "new and additional" is difficult.

While it is impossible to say exactly how much UK FSF is new and additional, it is clear that there is substantially more finance available for climate change in the 2010-12 period than prior to the FSF commitment period. The UK is labelling as fast-start some projects and programmes that it funded, and that were delivering climate benefits, prior to the fast-start period. At least GBP 750 million of the FSF commitment was pledged prior to the FSF period. The UK has not yet achieved 0.7% of GNP for ODA. In this context, UK FSF, while it is only a small portion relative to UK ODA, is increasing at a greater rate than UK ODA.

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 under the Copenhagen Accord involve new efforts to respond? Are ongoing climate projects receiving any additional or scaled-up finance as a result of efforts to meet that commitment? Or, is credit just being claimed for worthy projects that have been underway for quite some time, and happen to be relevant to climate change?

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

UK commitment to delivering climate finance is important, and must be sustained.

Climate finance provided by developed countries will continue to play a critical role in catalysing global action on climate change by directly supporting adaptation and mitigation in developing countries. Such public finance can play a crucial role in meeting the additional costs of climate-compatible development, helping correct market failures, and 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 helps foster trust and participation in collective action on climate change. It remains imperative to scale up the delivery of new and additional finance to developing countries in ways that effectively deliver climate benefits. The UK has taken a first step to this end, by committing climate finance past the end of the FSF commitment via the ICF through March 2015.

However, sustained support is essential even beyond this period, even though it may not be an easy challenge to meet. Furthermore, the ICF governance has been in flux, and priorities have been evolving. This has resulted in a lack of clarity and understanding on the part of the public about how priorities are being set, and their implications for climate finance over the long term. While the ICF objectives, priorities and governance were published in October 2011, we observe the need for more transparent and inclusive processes to decide how this finance should be spent going forward.

ACRONYMS

CBFF	Congo Basin Forest Fund
CDKN	Climate Development Knowledge Network
CMCI	Capital Markets Climate Initiative
CP3	Climate Public Private Partnerships
CTF	Clean Technology Fund
DAC	Development Assistance Committee
DECC	Department of Energy and Climate Change
DFID	Department for International Development
ETF	Environmental Transformation Fund
FIP	Forest Investment Programme
FSF	Fast Start Finance
GBP	British Pounds Sterling
GEF	Global Environment Facility
GHG	Greenhouse Gas Emissions
GNI	Gross National Income
IATI	International Aid Transparency Initiative
ICF	International Climate Fund
IFC	International Finance Corporation
LDC	Least Developed Country
LDCF	Least Developed Countries Fund
MCC	Millennium Challenge Corporation
MDB	Multilateral Development Bank
OCN	Open Climate Network
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PPCR	Pilot Programme on Climate Resilience
PROFOR	Programme on Forests
RDB	Regional Development Bank
REDD+	Reducing Emissions from Deforestation and Forest Degradation + Conservation
SIDS	Small Island Developing State
SREP	Scaling Renewable Energy Programme
UK	United Kingdom
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollars
WRI	World Resources Institute

ANNEX 1: CLIMATE FINANCE TRACKING EFFORTS

- **National Communications:** Under the UNFCCC, Annex II Parties are required to 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.[23]

- **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 fulfil their FSF commitment. In November 2011, the UNFCCC secretariat launched a FSF module[24] on its Finance Portal that links to the May 2011 reports. The Netherlands has also established www.faststartfinance.org, to which both contributor and recipient countries voluntarily self-report.

- **OECD DAC:** The OECD DAC compiles data on international aid from its 23 members and 12 multilateral organisations, 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.[25] In 2011, the MDBs agreed to harmonise the manner in which they track their climate change finance, and subsequently established an MDB Working Group on Climate Finance Tracking to work toward this goal.

- **Independent Initiatives:** Initiatives by non-governmental organisations and the private sector, such as AidData, the ODI HBF Climate Funds Update, WRI's FSF summary table, and Bloomberg's New Energy Finance also complement and supplement climate finance tracking efforts.[26]

ANNEX 2: OCN FINANCE ASSESSMENT PARAMETERS

The following parameters were examined for each project:

PARAMETER	OPTIONS	EXPLANATION
Title	Project title	As included in the FSF project list.
Description	Qualitative description of the project as reported	As included in the FSF project list, and supplemented as possible with details from publicly disclosed supporting documentation and desk research.
Fiscal Year	■ 2010 ■ 2011	Based on the year of the FSF project list. Complemented with information in the UK November 2011 FSF project list.
Amount	In MN GBP (also available in USD in the annex and exec summary)	As reflected in the FSF project list.
Status	■ Pledged ■ Identified with domestic legal force ■ Deposited ■ Approved for disbursement ■ Disbursed	As included in the DFID website project descriptions.
Source	■ Budget appropriations ■ Development finance/export credit ■ Innovative Source: Public carbon market revenue, levy/tax on international transportation, or financial transaction tax ■ Private: Leveraged private finance, foreign direct investment, private carbon market revenue	All of the UK FSF is from the national budget.
Recipient Region	■ Africa ■ Asia ■ Europe ■ Latin America and the Caribbean ■ North America Based on UN regional classifications: http://unstats.un.org/unsd/methods/m49/m49regin.htm	Based on the country listed on the FSF project list. For multilateral funds, in order to determine the recipient country and region breakdown, we imputed assistance from the climate-specific funds back to the donor countries. 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	Based on the country listed on the FSF project list. 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. 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 usually but not always provided on the FSF project list and supporting documentation. Information on the recipient institution was often available through desk research. Where information was available, we attempted to identify the name and type (e.g., governmental, NGO, or private, and recipient- or donor-based) of the institution receiving funding from the UK 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 ■ Regional public donor ■ Regional public recipient ■ National government donor ■ National government recipient ■ State/city government donor ■ State/city government recipient ■ NGO donor ■ NGO recipient ■ Private donor ■ Private recipients	Classified based on recipient institution.
Fund Type	■ Bilateral ■ Multilateral	Assigned based on whether the funding flowed through a multilateral fund.
Contributor Country Agency	Name of contributor-country government entity administering the financial instrument to the recipient	This parameter is generally self-reported by the UK in their FSF report; otherwise, we identified it based on the additional sources mentioned. We specify whether funding is channeled through the International Climate Fund, the Environmental Transformation Fund, or from UK DFID.
Channelling Institution	For funds channelled through a multilateral institution, the name of the multilateral institution	Based on a review of the project documentation associated with the project description and any supplementary information revealed through desk research.
Fund	For funds channelled through a multilateral fund, the name of the fund	Based on a review of the project documentation associated with the project description and any supplementary information revealed through desk research.
Financial Instrument	■ Capital contribution ■ Grant ■ Loan ■ Loan guarantee ■ Equity ■ Insurance ■ Other (specify)	Primarily based on the information provided in the UK FSF project list. Complemented by a review of the project documentation associated with the project description and any supplementary information revealed through desk research.
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 fast-start amounts, where available. Based on a review of the project documentation associated with the project description and any supplementary information revealed through desk research.	
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 UK seemed to be counting each project. For a subset of projects, for which we had access to sufficient supporting information, we assessed the extent to which each project would meet a more rigorous definition of adaptation or mitigation based on the OECD DAC Rio Markers. Finally, we examined those projects whose categorisations were ambiguous in more detail, and documented which project types were involved.	
Objective: Level 1	■ Mitigation ■ Adaptation ■ Forestry? Yes/No	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. The UK self classifies its FSF contributions. Furthermore, the project descriptions in the FSF report generally provide a strong indication even when the terms "adaptation" and "mitigation" are not used.

<table>
<tr><th>PARAMETER</th><th>OPTIONS</th><th>EXPLANATION</th></tr>
<tr><td>Objective: Level 2</td><td>For Adaptation and Mitigation Rio Marker:
■ 0 – not targeted
■ 1 – significant objective
■ 2 – principal objective</td><td>For the second level of assessment, we examined 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).

The Rio Markers employ the following definitions:

■ Mitigation: “[The activity] contributes to the objective of stabilisation 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.”
■ 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.”

The OECD has published further criteria and a decision tree to promote consistency in self-reporting, which we attempted to follow (OECD 2011). Under the Rio Marker system, a project is labelled 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.

We assigned the Rio Markers based on our own assessment of the nature of the project, without regard to how the UK reported the project to the OECD DAC.[27] We assigned them only to those projects for which sufficient information was available.</td></tr>
<tr><td>Objective: Level 3</td><td colspan="2">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. These might include, for example, 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.</td></tr>
<tr><td>Activity</td><td>■ Assessment, planning, strategy development
■ Research and development
■ Demonstrations
■ Deployment/Implementation
■ Capacity Building
■ Monitoring, evaluation and review</td><td>Based on a review of the project documentation associated with the project description and any supplementary information revealed through desk research. Noted each activity, and attempted to indicate which would be primary (where possible based on the information provided).</td></tr>
<tr><td>Intended impact</td><td colspan="2">Information regarding expected or actual project impact in terms of GHG reduction, energy capacity, or other relevant metric. In most cases this information was not available as projects remain in their early stages of implementation; this is an important area to capture in future work analysing FSF.</td></tr>
</table>

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 evaluate UK FSF with regard to multiple possible considerations 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 programmes 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?[28]
- 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 UK 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: UK CONTRIBUTIONS TO DEDICATED MULTILATERAL CLIMATE FUNDS

The Climate Investment Funds

The CIFs were established in 2008 at the initiative of the governments of the UK, US 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 Funds 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 USD 6.4 billion (GBP 4 billion) has been pledged to the CIFs. The UK has contributed GBP 698 million in total to date, and this represents the largest share of its FSF.

The majority of the funds (USD 4.6 billion or approximately GBP 2.9 billion) are allocated to the CTF to support investments in clean technologies that will yield large-scale emission reductions, particularly in large emerging economies. The UK FSF project list details GBP 305 million in contributions 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 programme 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 Programme on Climate Resilience (PPCR) of USD 982 million (GBP 613 million) seeks to support developing countries to address climate risk and adapt to the impacts of climate change. The PPCR is supporting pilot programmes in Bangladesh, Bolivia, Cambodia, Nepal, Niger, Mozambique, Tajikistan, Tongo, and Zambia and a regional programme in the Caribbean. The Forest Investment Programme (FIP) with USD 599 million (GBP 374 million) pledged is supporting programmes in Mexico, Brazil, the Democratic Republic of the Congo, Burkina Faso, Ghana, Indonesia, Lao, and Peru. The UK FSF includes a GBP 63 million contribution. Finally, the Scaling Renewable Energy Programme supports the deployment of clean technologies to support increased access to energy in low-income countries with USD 352 million (GBP 220 million) pledged. Programmes are underway in Ethiopia, Honduras, Kenya the Maldives and Nepal. The UK FSF contributes GBP 35 million.

The Global Environment Facility (GEF)

The UK also counts a subset of its contributions to the GEF as FSF. The GEF is an operational entity of the UNFCCC, and is the longest standing source of dedicated public climate change finance. Its activities have largely focused on mitigation, and have broad regional distribution. The UK counted GBP 42 million of its 2011/12 contribution to the GEF and 11 million of its 2010/11 contributions towards its FSF commitments. UK support to the GEF has increased in recent years relative to historical levels of contribution.

The Congo Basin Forest Fund

The UK and Norway are the two donors to the African Development Bank-administered Congo Basin Forest Fund, which supports projects to reduce emissions from deforestation and degradation in the Congo Basin. The UK contributes GBP 35 million to the fund, which has a total capitalisation of GBP 100 million.

The Adaptation Fund

The UK also contributes GBP 10 million to the Adaptation Fund (AF) under the Kyoto Protocol. The AF supports countries to adapt to the impacts of climate change, and is partially financed through a 2% levy on the sale of emission reductions generated through the Clean Development Mechanism. It presently has a total capitalisation of USD 274 million (GBP 171 million). It has supported projects in the Cook Islands, Ecuador, Eritrea, Georgia, Honduras, Jamaica, Madagascar, Maldives, Mauritius, Mongolia, Nicaragua, Pakistan, Samoa, Senegal, Solomon Islands, Tanzania, Turkmenistan, and Uruguay, each of less than USD 10 million each.

The Least Developed Countries Fund

In addition, the UK counts GBP 15 million in contributions to the Least Developed Countries Fund (LDCF) under the UNFCCC towards its FSF commitments. The LDCF supports the implementation of National Adaptation Programmes of Action (NAPAs) in 49 Least Developed Countries, and has a capitalisation of USD 415 million (GBP 259 million) since 2001.

Forest Carbon Partnership Facility

Finally, the UK counts GBP 10 million in contributions to the World Bank administered Forest Carbon Partnership Facility (FCPF) towards its FSF spend. The FCPF is a programme to pilot new approaches to reduce emissions from deforestation and degradation in developing countries. It has the dual objectives of building capacity for REDD+ in developing countries, and testing a programme of performance-based incentive payments in some pilot countries.

ANNEX 4: UK FSF PROJECT DATA

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

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ENDNOTES

1. Note that while this paper informs ODI's work on climate finance supported by DFID through an Accountable Grant, it is also supported by independent funding, including from KfW Bankengruppe.
2. Buchner et al. (2011) place private finance at almost 57% of current climate finance. The UNFCCC (2007) identifies a significant role for domestic resources.
3. For example, the Private Sector Initiative under the Nairobi Work Programme, and "Caring for Climate" under the UN Global Compact.
4. Buchner et al. 2011
5. 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.
6. The UK fiscal year runs from April to March.
7. Sources consulted for each project are detailed in Annex 4.
8. This is because information in the DAC was incomparable in timeframe and scope, and, moreover, insufficiently detailed to permit this approach.
9. The site, http://www.climatefundsupdate.org, is a joint initiative of Heinrich Böll Stiftung and ODI.
10. The UK has committed a total of GBP 995 million to the CIFs.
11. The total UK contribution to the PPCR is GBP 310 million, including GBP 287 million during the FSF period.
12. The total UK contribution to the CIF is GBP 535 million including GBP 305 million during the FSF period
13. The UK has committed a total of GBP 50 million to the SREP, including GBP 35million during the FSF period.
14. The total UK contribution to the FIP is GBP 100 million, including GBP 88 million during the FSF period.
15. Note: we only applied the Rio Markers to those projects for which a business case and supporting documentation had been publicly disclosed, or for which basic desk research revealed reasonably comprehensive information that allowed us to make judgments about the scope and intention of the programme.
16. See for example Greenpeace comments on the Forest Investment Programme 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.
17. http://www.climateinvestmentfunds.org/cif/funding-basics
18. To this end, CMCI includes institutions in the finance and investment sectors – institutional investors, investment banks, multilateral development banks, stock exchanges, think tanks and professional services. Harnessing this expertise, CMCI aims to: develop a common understanding of how public sector action can help mobilise private capital and encourage new markets in low carbon investments; and move from theory to practice by designing and testing new financing solutions to address the barriers to mobilising private capital in specific partner-developing countries.
19. See http://www.gvepinternational.org/en/business/our-approach.
20. http://www.profor.info/profor/node/2042
21. OECD Development Cooperation Directorate data available online at http://www.oecd.org/document/35/0,3746,en_2649_34447_47515235_1_1_1_1,00.html
22. See for example the business case for the DFID Indonesia Rapid Response Facility on Climate Change, available online via the DFID project database at http://projects.dfid.gov.uk/project.aspx?Project=202833.
23. The guidelines for national communications do not provide a definition of new and additional.
24. http://unfccc.int/pls/apex/f?p=116:13:4497118034125415
25. 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.
26. 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/.
27. While the UK 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 US reports to the OECD DAC are different from what it reports in its FSF report.
28. 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 some aid experts have argued that countries must rethink the traditional measure of Official Development Assistance given the diversification of goals it is asked to pursue and the multiplication of instruments used to achieve policy objectives (Severino et al.).

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ABOUT THE AUTHORS

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

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

Allister Wenzel supported this project in his former capacity as a Research Assistant to ODI.

Alice Caravani is a Research Officer in the Climate Change Environment and Forests Programme at ODI working on climate finance.
Contact: a.caravani@odi.org.uk

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

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