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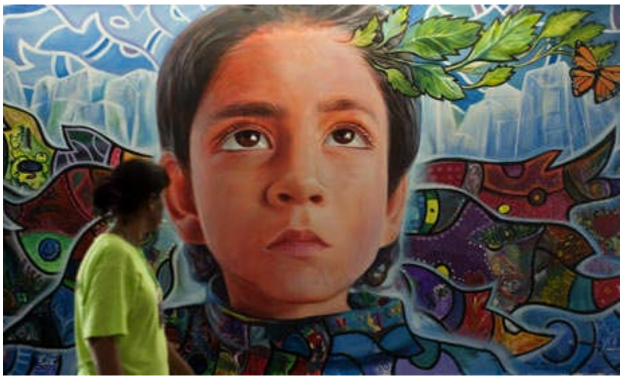
POVERTYMATTERS BLOG

Climate change: learning the lessons of the past 50 years

We must draw on our experience of development co-operation to ensure climate change funds are effectively used



A mural in the climate village during last year's UN Framework Convention on Climate Change (COP16) in Cancun. Photograph: Ronaldo Schemidt/AFP/Getty Images

Few would dispute the need to mobilise funds to support developing countries in dealing with the effects of climate change. At last year's UN climate change conference (COP16) in Cancun, Mexico, world leaders agreed to a set of "new and additional" pledges amounting to $30bn in fast-start finance between 2010 and 2012. An additional long-term goal of $100bn a year by 2020 was also agreed.

This is good, but not good enough. The past 50 years of experience with development co-operation have shown that finance alone is not sufficient. Ensuring funds are used as cost effectively as possible is essential for both providers and recipients.

Of course, there are differences between climate change finance and development co-operation (or "aid"). Without a doubt, external finance for climate change is unique in terms of scale, given the size and complexity of the challenge. Dealing with this will call for the transfer of an unprecedented volume of resources. The projected $100bn a year, while intended to be from both private and public sources, comes near to matching the record level of annual official development assistance (ODA) flows: $129bn in 2010.

Differences aside, however, the task of financing climate change action is ultimately about transferring large volumes of finance for specific development objectives across national boundaries – something we have been doing since the Marshall Fund was established to help rebuild Europe after the second world war.

What should we be thinking about in the runup to COP17 in Durban, South Africa? One of the first lessons we draw from the past 50 years is that greater volumes of development finance do not automatically translate into better development results. Externally-led activities that do not build national capacity have proved unsustainable and ineffective.

Over the past decade, the principle of locally led development has been confirmed and endorsed as the linchpin for improving impact from aid resources. In 2005, the Paris

Declaration secured commitment from developed and developing countries on a country's control over its aid programme, as well as four more basic principles central to better results.

The Accra Agenda for Action (2008) reaffirmed this. It also confirmed the value of different development partnerships, and the need to assess whether development funds achieve their objectives. The fourth high-level forum on aid effectiveness in Busan, South Korea (29 November – 1 December 2011) will close a cycle that has largely focused on aid, and mark a transition to addressing the challenge of how we apply our knowledge to make development – not just development assistance – work better.

These lessons must inform our efforts as we design instruments for climate change finance. In preparation for COP17, negotiations are under way on a "green climate fund" and other global instruments. They should ensure that external finance is driven by national strategies, and channelled through recipient countries' institutions and authorities.

Keeping in mind other development principles endorsed in Paris – such as alignment and harmonisation – that also offer a real opportunity to avoid reinventing the wheel. Climate change financing is provided to address a fairly narrowly defined purpose. As negotiators look to strengthen and support nationally owned strategies, they should seek to avoid the undesirable characteristics of narrowly targeted funds. Making harmonisation of external flows a pre-condition and avoiding proliferation of sources of climate funding can radically reduce transaction costs.

That said, a national strategy is not enough. Strategies need to be supported by legislation and action plans that make them real. A recent study in south-east Asia (pdf) shows that even where national climate change strategies are in place, the necessary frameworks are often missing. Weak domestic policy can lead to incoherent outcomes and fragmentation of funding channels.

Flexibility will be key to institutional development at the country level. The aid effectiveness principles set out in the Paris Declaration can help us retain this flexibility, while ensuring that the design of new instruments is informed by the lessons we have learned from the past 50 years of development co-operation.

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