

Policy pointers

Implementing post-2020 adaptation and mitigation plans within the LDCs, as articulated in Intended Nationally Determined Contributions (INDCs), will cost an estimated US\$93.7 billion each year (based on estimates by IIED).

With US\$40 billion in public climate funds already flowing each year, the global community is making progress towards its target of mobilising US\$100 billion in annual international climate finance by 2020, but since these flows cannot be classified as 'new and additional' to development aid, efforts must be significantly scaled up now and in the post-2020 period.

Less than a third (30 per cent) of available international public climate finance currently reaches the LDCs.

A fair and effective deal at Paris should prioritise the investment of international public climate finance in the LDCs' implementation of their INDCs while agreeing measures to help better-off developing countries attract private climate finance.

A fair climate deal in Paris means adequate finance to deliver INDCs in LDCs

The 48 nations that make up the Least Developed Countries (LDCs) are proving to be among the most determined, committed and proactive on climate change. Almost all the LDCs have outlined how they plan to contribute to post-2020 global climate action — through Intended Nationally Determined Contributions (INDCs) — ahead of the 2015 global climate summit in Paris. These contributions reflect the LDCs' commitment to an ambitious transformative shift to low-carbon, climate-resilient economies. The cost for all LDCs to implement these post-2020 plans is estimated to be around US\$93.7 billion each year — less than the 'new and additional'¹ US\$100 billion promised to all developing countries under the 2010 Cancun Agreements. However, less than a third of available climate finance reaches the LDCs. A fair and effective deal in Paris should prioritise the investment of international public climate finance in the LDCs' implementation of their INDCs, while agreeing measures to help better-off developing countries to attract private climate finance.

The 48 nations that make up the Least Developed Countries (LDCs)² are home to some of the world's poorest communities, who face a wide range of development challenges and are bearing the early brunt of climate change, despite having contributed least to problem.³ But the LDCs are also proving to be among the most proactive and ambitious in rising to the climate challenge and paving the way for their transformative shift to low-carbon, climate-resilient economies.

If the global climate summit in Paris — the 21st Conference of Parties (COP21) to the UN

Framework Convention on Climate Change (UNFCCC) — is to deliver a fair agreement on global climate action, it will need to ensure that available climate finance matches the needs and ambitions of developing countries, in particular the LDCs.

Ahead of the summit, parties to the UNFCCC have been asked to articulate their commitments to, and plans for, reducing carbon emissions through Intended Nationally Determined Contributions (INDC, see Box 1). To date, 150 parties — more than three-quarters — have submitted their INDCs.

Making finance available is one thing, ensuring it gets to those who need it most is another

This includes 44 LDCs, many of which have also included information on their strategies, plans and actions for securing low-carbon development.⁴ It is notable that, as a negotiating group, the LDCs

have proved themselves more ambitious than the world's largest emitters — collectively calling for a below 1.5 degree Celsius 'maximum warming' target, rather than the more commonly accepted 2 degree Celsius one,⁵ and

taking a progressive approach to the common but differentiated responsibility for reducing emissions.

But the LDCs cannot hope to implement their INDCs quickly enough alone. They will need both technology and capacity support.⁶ And they will need investment capital, particularly for high start-up costs. Much of the finance needed will have to come from international sources. And, because the LDCs are less likely than other richer developing countries to attract private investment, much of the finance should rightly be grant-based and come from public funds.

Indeed, the LDCs are unanimous in saying that delivering their INDCs cannot be done without new, scaled up, additional and predictable international climate finance.

Costing INDCs

An analysis by Carbon Brief estimates that developing countries as a whole will need around US\$3.5 trillion between 2015 and 2030

to implement their INDCs in full.⁷ But what about the LDCs? Despite no obligation to do so, many LDCs have included a financial element to their INDC, estimating how much it would cost to implement. Most split their finance needs by mitigation and adaptation.

Adding up the figures of those INDCs that include a cost estimate reveals that US\$217.2 billion is required by the LDCs that provided full financial data. But this figure excludes the full cost of six countries that did not supply any estimate and the four countries yet to submit an INDC, as well as include only partial costs submitted by countries that did not specify how much international finance they will need.

We offer a more realistic overall international finance cost by extrapolating the existing data across all INDCs, using CO₂ emissions per country for mitigation requirements (see Box 2 for our methodology). The results of our extrapolation suggest that the overall international cost of implementing all 48 LDC INDCs is actually more likely to be US\$1039.3 billion over 11 years. This translates into an annual implementation cost of US\$93.7 billion between 2020 and 2030, split between US\$53.8 billion for mitigation and US\$39.9 billion for adaptation (see Figure 1).⁸

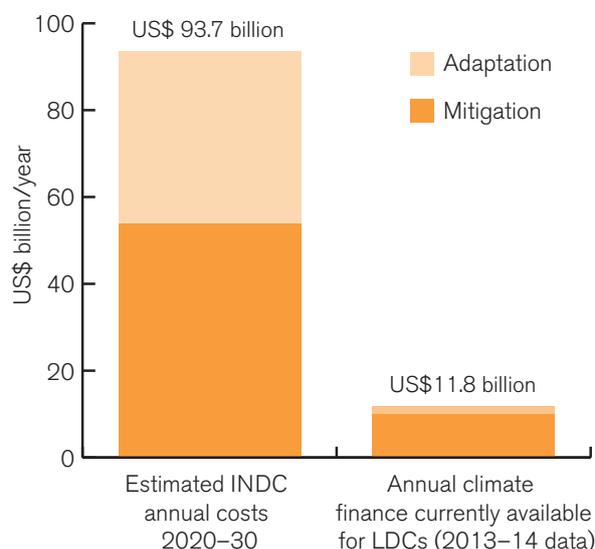
Funds available

Where will this annual US\$93.7 billion come from? Some LDCs are specific in their INDCs about exactly how much money they will provide from domestic budgets and how much they will need to raise from international donors. Some countries, including Ethiopia, do not specify where funds will come from but report an exceptionally high financial need (US\$150 billion total) to implement their low carbon development plan. Three countries — Burkina Faso, Djibouti and Zambia — are showing extraordinary commitment in some sectors, committing more finance from sources within their borders than they are asking for beyond them. Even so, all LDCs agree that fulfilling their INDCs cannot be done without a significant contribution from international climate finance, whether it be public or private.

In 2010, under the Cancun Agreements, world leaders agreed to mobilise US\$100 billion each year in public and private climate finance by 2020.⁹ And the LDCs agree that this is the minimum starting point for supporting developing countries in the post-2020 period.¹⁰

Will the world meet its target? Data from the OECD give cause for optimism, showing that in 2014, an estimated US\$61.8 billion in climate finance flowed to developing countries, including

Figure 1. Annual climate finance available to all LDCs vs annual cost of implementing their INDCs. Source IIED estimates and OECD.⁶



Box 1. INDCs in short

The idea of Intended Nationally Determined Contributions (INDCs) dates back to 2013. At COP19, in Warsaw, Poland, parties to the UNFCCC agreed to use these documents to set out their proposed individual efforts and plans — above and beyond their current activities — to achieving their collective objective of stabilising greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous human interference with the climate system.ⁱ Importantly, the INDCs allow countries to tailor their efforts to their individual priorities, capabilities and responsibilities. They may include specific GHG emission reduction targets that countries have set themselves, alongside proposed actions ranging from supporting renewable energy or making transport cleaner to reducing deforestation or converting to no-tillage agriculture. Most focus on mitigation activities; but many also include adaptation. At COP20 in Lima, parties agreed that LDCs and small island development states may communicate information on strategies, plans and actions for low greenhouse gas emission development reflecting their special circumstances.ⁱⁱ

The INDCs are part of the process of negotiations for a global agreement on climate change action, culminating at the December 2015 COP21 in Paris. Through them, the global community has, for the first time, taken a bottom up, or country-led approach to global climate action.

To date, 150 parties, including 44 LDCs, have submitted their INDCs to the UNFCCC. Together, these nations account for around 86 per cent of the world's greenhouse gas emissions.

A synthesis report, published by the UNFCCC in October 2015, calculates that if all countries succeed in reducing their emissions in line with their INDCs, the world will be put on a path to 2.7 degree Celsius of warming by 2100 — well short of either the 2 or 1.5 degree Celsius proposed targets for a safe limit.ⁱⁱⁱ

ⁱ United Nations (1992) The UN Framework Convention on Climate Change. UN, New York. See <https://unfccc.int/resource/docs/convkp/conveng.pdf> / ⁱⁱ UNFCCC (2015) Report of the Conference of the Parties on its twentieth session, held in Lima from 1 to 14 December 2014. UNFCCC. / ⁱⁱⁱ UNFCCC (2015) Synthesis report on the aggregate effect of the intended nationally determined contributions. UNFCCC.

US\$40 billion in public funds.^{11,12} However, this figure includes all development projects with climate-related objectives or aspects, as reported by donors to the OECD. Developing countries, including the LDCs, argue that climate finance should be separate and additional to development aid.¹

It seems that the global community is on its way to meeting its US\$100 billion annual target, but these efforts must be scaled up to ensure significant climate finance is available now and in the post-2020 period.

Tighter targeting

Making finance available is one thing, ensuring it gets to those who need it most is another. And the truth is that the public climate finance currently available is not flowing to the LDCs in anywhere near enough quantities to implement their INDCs.

A closer look at the OECD data for 2013–14 shows that the LDCs receive under a third (US\$11.8 billion) of all public climate finance available each year, but not all of these flows may be 'new and additional' to development aid. These also include credit based instruments which will have to be repaid. Most of this (US\$10 billion) goes towards supporting mitigation projects, with just US\$1.8 billion allocated each year to support adaptation

across all the LDCs (see Figure 1).¹³ However, in practice this somewhat artificial dichotomy ignores that adaptation can and should contribute to mitigation (and vice versa), and that these co-benefits increase the effectiveness of investments.

The lion's share of public climate finance goes to upper and middle income countries. Indeed, six countries alone — Brazil, China, India, Morocco, South Africa and Turkey — receive as much public money as all 48 LDCs put together.

It is clear that a fair deal at COP21 in Paris would be one that prioritises the investment of international public climate finance in the LDCs. These countries may have the most to lose from climate change and the fewest resources available to tackle it. But they have collectively risen to the challenge by submitting realistic and timely INDCs that mark an ambitious transformative shift to a path of low-carbon, climate-resilient development.

Total estimated
annual cost

\$93.7bn

for the LDCs

Box 2. Number crunch

Estimating the scale of finance needed by the LDCs to implement their INDCs is not easy as the data vary considerably. Only 15 of the LDCs that have submitted INDCs fully costed their international financial needs. Six did not provide any cost estimates. And four have yet to submit an INDC. The submitted INDCs vary in their start date and duration. In some cases the lifespan of an INDC even varies within country, between adaptation and mitigation.

Where possible, we used 'real' data provided within the INDC to calculate international finance needs for both mitigation and adaptation. To fill in the gaps, we used a combination of methods, depending on the data available.

We used the INDCs with full international and domestic costs to establish: average proportions of mitigation (55 per cent) and adaptation (42 per cent) finance requested; country and average LDC proportions of international finance requested (84 per cent); and annual international mitigation finance per country ktCO_{2e} emissions (US\$0.0005 billion per ktCO_{2e}). These figures were used to fill in the gaps for INDCs with partial financial data.

For more details on our method, please see www.iied.org/indc-data.

Focusing international public finance on the LDCs is not just a moral imperative. Without the INDCs, the emission footprints of many growing LDC economies may cease to be marginal. Avoiding carbon 'lock-in' in these countries — particularly in areas such as urban transport, energy infrastructure and deforestation — is a must if the UNFCCC's objective to stabilise greenhouse gas emissions is to be met.¹⁴

It is true that the biggest gains in emission reductions may be found in fast-growing upper and middle income countries. But, it is also true that with the right support, these countries are

more likely to attract private investment.¹⁵

This makes it even more important to ring-fence much of the expected US\$100 billion in annual international finance for the LDCs to implement their INDCs.

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Knowledge Products

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Notes

¹ UNFCCC Article 4 states: "The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1". OECD's calculation of climate finance is based on member countries reporting under the 'Rio Marker Classification' which doesn't specify if the finance is new or additional to development aid. / ² The UN Development Policy and Analysis Division describes the LDCs as "low-income countries confronting severe structural impediments to sustainable development. There are currently 48 countries designated by the United Nations as least developed countries (LDCs)." See www.un.org/en/development/desa/policy/cdp/ldc_info.shtml. / ³ UNCTAD (2015) The Least Developed Countries Report 2015: Transforming Rural Economies. UN, Geneva. See <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1393> / ⁴ UNFCCC (2015) Synthesis report on the aggregate effect of the intended nationally determined contributions. UNFCCC. / ⁵ IIED (2015) LDC chair responds to the UNFCCC INDCs synthesis. Press release, IIED, London. See www.iied.org/ldc-chair-responds-unfccc-indcs-synthesis / ⁶ Hedger, M and Nakhoda, S (2015) Finance and Intended Nationally Determined Contributions (INDCs): Enabling Implementation. Overseas Development Institute, London. / ⁷ Carbon Brief (2015) Paris 2015: Tracking requests for climate finance. Carbon Brief, London. www.carbonbrief.org/paris-2015-tracking-requests-for-climate-finance / ⁸ INDCs vary in start date and duration. Some begin in 2020; some start earlier, some start later. Similarly, some cover a period of just two years; others cover up to 15 years. In some INDCs, the start date and duration of mitigation plans are different to those of adaptation plans. Where possible, we have used information provided within the INDC. Where no start year or time period has been specified, we assumed a ten-year duration, from 2020 to 2030. The average duration of an INDC is 11.08 years for mitigation, 11.10 years for adaptation. / ⁹ UNFCCC (2011) Report of the Conference of the Parties on its sixteenth session, held in Cancun from 29 November to 10 December 2010. UNFCCC. See <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=2> / ¹⁰ <https://ldclimate.wordpress.com/2015/09/01/ldc-group-statement-at-opening-of-adp-2-10/#more-1222> / ¹¹ OECD (2015) Climate finance in 2013-14 and the USD 100 billion goal. OECD and the Climate Policy Initiative (CPI). See www.oecd.org/environment/cc/Climate-Finance-in-2013-14-and-the-USD-billion-goal.pdf / ¹² Other organisations also calculate flows of public climate finance. The Standing Committee on Finance (SCF) from the UNFCCC, for example, has estimated that between US\$40–175 billion flowed from developed to developing countries between 2010 and 2012 (see http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/clarification_note_2014_ba.pdf). The Climate Funds Update (CFU), managed by ODI, suggests that just US\$14 billion in public climate finance actually went to developing countries in 2013. The large difference here may be explained by the fact that CFU only monitors dedicated climate funds, which inevitably represents a smaller slice of the finance 'pie'. / ¹³ The CFU data on approved finance paints an even bleaker picture for LDCs. Of the total approved public climate finance for developing countries so far, a mere 19 per cent (US\$2.6 billion) has reached the LDCs. The balance between mitigation and adaptation projects also looks different: adaptation receives US\$1.9 billion, compared with US\$0.7 billion for mitigation. According to the CFU data, annual flows of approved public climate finance to LDCs are nominal — less than US\$1 billion in 2013. See www.climatefundsupdate.org. / ¹⁴ Hallegatte, S *et al.* (2015) Shock Waves: Managing the Impacts of Climate Change on Poverty. World Bank, Washington, DC. See <https://openknowledge.worldbank.org/handle/10986/22787> / ¹⁵ Steele, P (2015) Development finance and climate finance: Achieving zero poverty and zero emissions. IIED, London. See <http://pubs.iied.org/pdfs/16587IIED.pdf>