



THE U.S. CONTRIBUTION TO FAST-START FINANCE: FY12 UPDATE

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As part of the international climate negotiations, developed country governments committed to provide developing countries with “new and additional resources, including forestry and investments through international institutions, approaching \$30 billion in the period 2010–2012 with balanced allocation between adaptation and mitigation.”¹ This fact sheet considers U.S. efforts to provide “fast-start finance” (FSF) over the full three-year period, drawing primarily from program data presented in the State Department’s report series, “Meeting the Fast Start Commitment.” The fact sheet is part of a series of analyses on FSF contributions,² and updates a May 2012 working paper³ quantifying total U.S. contributions to the global FSF commitment.

Disclaimer: *This Fact Sheet contains preliminary research, analysis, findings, and recommendations. It is intended to stimulate timely discussion and critical feedback and to influence ongoing debate on emerging issues. Its contents may eventually be revised and published in another form.*

Over the FSF period, the United States has reported roughly \$7.5 billion, or about 20% of the global self-reported total flows of FSF.⁴ Notable attributes of the U.S. FSF contribution include:

- The levels of finance fluctuated over the three-year period, with the largest volume in FY11. This is related to variations in spending on the part of key agencies such as the Overseas Private Investment Corporation (OPIC) and the Millennium Challenge Corporation (MCC).
- Over the three-year period, a significant share of the U.S. portfolio supported clean energy in Asia. OPIC and the U.S. Agency for International Development (USAID) played key roles in administering finance, and finance was channeled via a combination of grants and loans, guarantees, and insurance, as summarized in Figure 1.

Transparency has improved in FY12 reporting, but there is room for further improvement. In addition to implementing the new international reporting requirements adopted at Doha, the following actions would help support verification of aggregate figures, as well as coordination and accountability:

- Publishing a detailed, disaggregated, annual list of projects and programs;
- Using the Foreign Assistance Dashboard as a platform for sharing information;
- Aligning reporting under the United Nations Framework Convention on Climate Change (UNFCCC) with reporting to the Organisation for Economic Co-operation and Development (OECD); and
- Continuing to work with other countries and multi-lateral institutions to strengthen and harmonize reporting systems.

THE NUMBERS

The United States reported that it provided \$2 billion of FSF in FY10, \$3.2 billion in FY11, and \$2.3 billion in FY12, totaling \$7.5 billion for the full three-year FSF period. Of this total, \$5.8 billion (78%) is described at the level of a program, project, or fund in the U.S. FSF reports,⁵ while another \$1.2 billion was identified through other sources, including the Voluntary REDD+ Database and the U.S. Foreign Assistance Dashboard.⁶

Volatility in climate-related spending

U.S. FSF spiked in FY11 and declined in FY12, due primarily to OPIC and MCC spending in FY11 (see Figure 2). The MCC spike was due to the Indonesia Compact, which was allocated in FY11, whereas OPIC's spending pattern is driven primarily by demand from the private sector. The appropriations process also played a role: in FY11, the Obama administration had substantial discretion, which it used to prioritize climate efforts. However, the FY12 budget deal resulted in automatic spending cuts, and climate finance—like foreign assistance programs overall—took a hit. (The president's FY12 request for international climate funding was cut by a third.)

Figure 1 | Overview of U.S. Fast-Start Finance (\$7.5 billion), 2010-2012

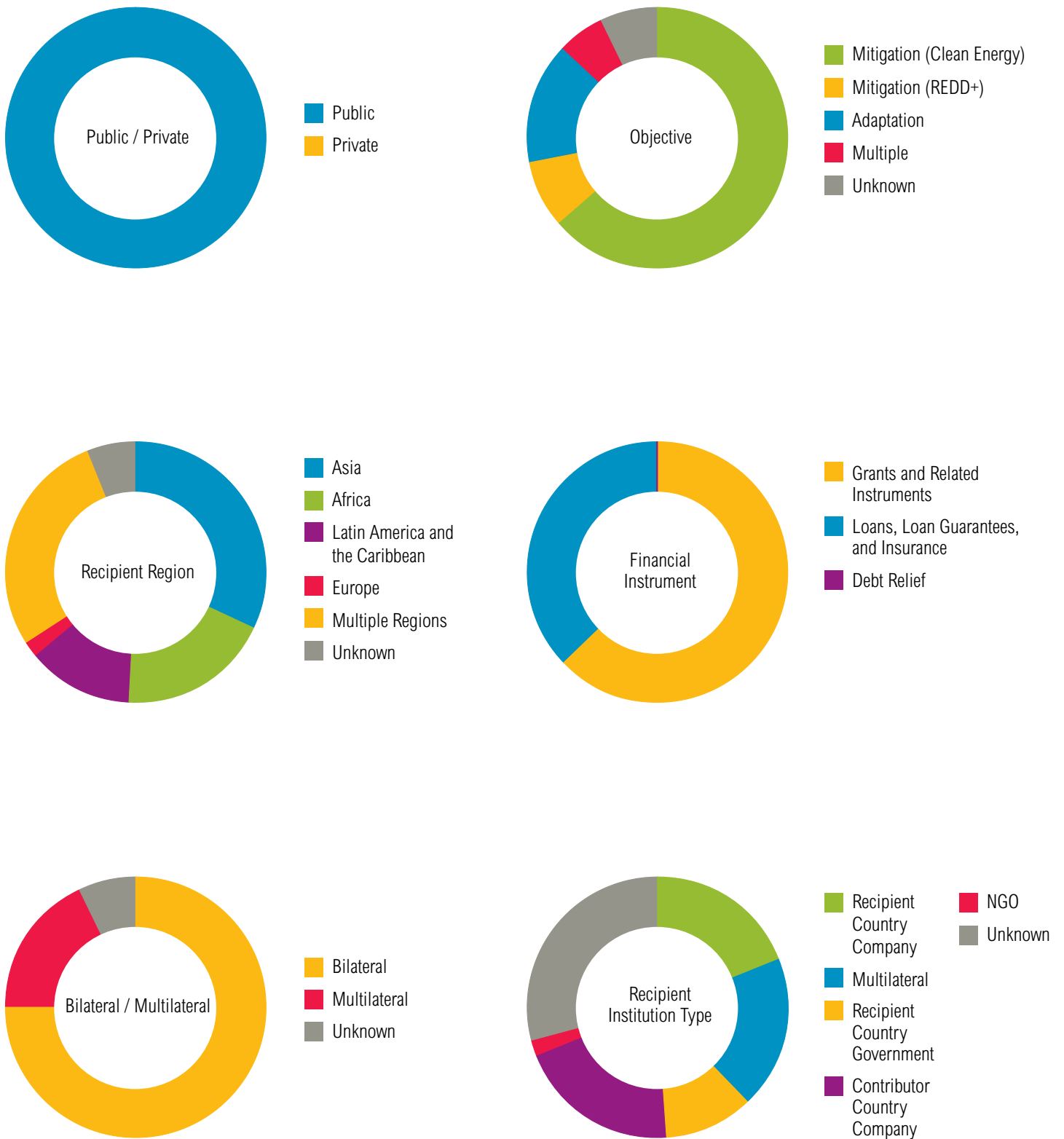


Table 1 | **Overview of U.S. Fast-Start Finance (million USD)**

CHARACTERISTICS		FY10	FY11	FY12	TOTAL
Identified/Unidentified	Identified	1,753.6	3,010.7	2,221.9	6,986.1
	Unidentified	238.2	177.3	56.1	471.7
Public/Private	Public	1,991.8	3,188.0	2,278.0	7,457.8
	Private ⁷	-	-	-	-
Objective	Adaptation	291.9	496.7	330.8	1,119.4
	Mitigation (Clean Energy)	1,088.9	2,104.6	1,550.8	4,744.3
	Mitigation (REDD+)	214.1	230.7	187.1	631.9
	Multiple	145.7	164.5	144.7	454.9
	Unknown	251.2	191.5	64.6	507.4
Region	Multiple	716.8	706.0	672.1	2,094.9
	Latin America and the Caribbean	336.8	253.5	385.4	975.6
	Africa	307.6	686.6	428.0	1,422.2
	Asia	357.9	1,290.2	719.0	2,367.1
	Europe	34.5	74.4	5.4	114.3
	Unknown	238.2	177.3	68.1	483.7
Financial Instrument	Grants and Related Instruments	1,324.5	1,704.2	1,186.6	4,215.3
	Loans, Guarantees, Insurance	408.3	1,306.5	1,023.3	2,738.1
	Unidentified but Assumed Grants	239.0	177.3	56.1	472.5
	Grant-based Debt Relief	20.0	-	12.0	32.0
Bilateral/Multilateral	Bilateral	1,244.0	2,650.2	1,765.0	5,659.1
	Multilateral	508.8	360.5	436.9	1,306.2
	Unknown	239.0	177.3	76.1	492.5
Executing Institution	Export-Import Bank	253.2	189.4	301.2	743.8
	Millennium Challenge Corporation	188.0	472.8	41.0	701.8
	Multilateral Funds	508.8	360.5	436.9	1,306.2
	Overseas Private Investment Corporation	155.1	1,115.1	721.6	1,991.8

CHARACTERISTICS		FY10	FY11	FY12	TOTAL
Executing Institution	USAID	572.6	820.8	606.6	2,000.0
	Other Bilateral	75.1	52.1	94.6	221.8
	Unknown	239.0	177.3	76.1	492.5
Recipient Institution	Contributor Country Company	177.2	650.8	653.3	1,481.3
	Contributor Country Government	10.0	-	1.6	11.6
	Multilateral	541.6	390.5	453.6	1,385.7
	NGO	21.5	25.3	67.3	114.1
	Recipient Country Company	296.6	644.2	472.1	1,412.9
	Recipient Country Government	265.8	517.6	71.0	854.6
	Recipient Regional Institution	-	4.6	.3	4.9
	Multiple	1.5	6.0	3.5	11.0
	Unknown	677.7	948.7	555.3	2181.6

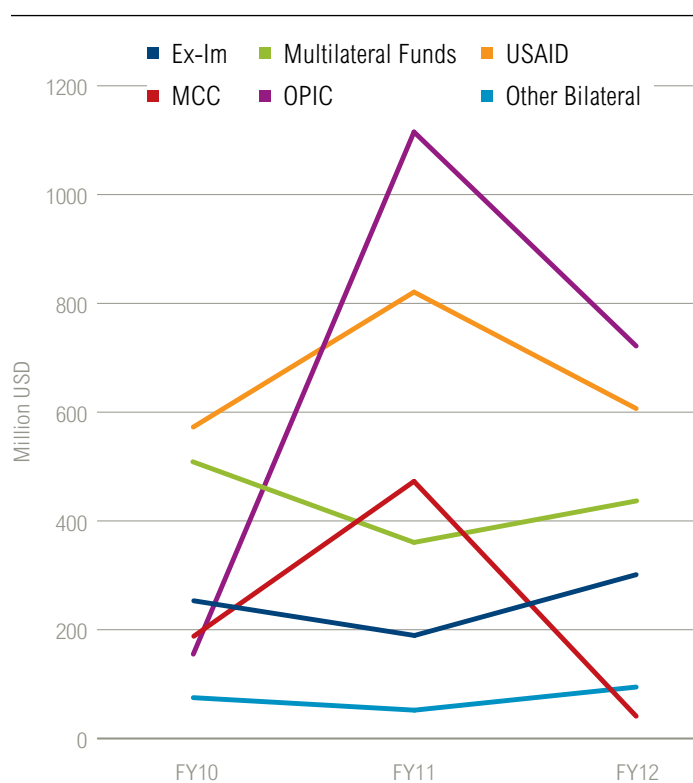
Mitigation finance for clean energy dominates U.S. FSF

Over the FSF period, 64% of funding supported mitigation efforts through clean energy projects, 15% supported adaptation, 8.5% supported REDD+, and 6% supported activities with multiple objectives (see Table 1). This reflects the significant role of development finance and export credit, which support mitigation almost exclusively, in the U.S. FSF portfolio. Grant-based assistance was distributed somewhat more evenly among objectives,⁸ with 48% supporting clean energy, 27% adaptation, and 14% REDD+. Nearly 40% of bilateral adaptation assistance supported projects that occurred at least in part in small-island developing states (SIDS), least developed countries (LDCs), or both.⁹

USAID and OPIC played a major role

USAID and OPIC remained the most significant channeling institutions for U.S. FSF, with 27% of total funding channeled through each. Multilateral institutions came in third, channeling 18% of total U.S. FSF (despite a dip in 2011—see Figure 2).

Figure 2 | **Executing Institution**

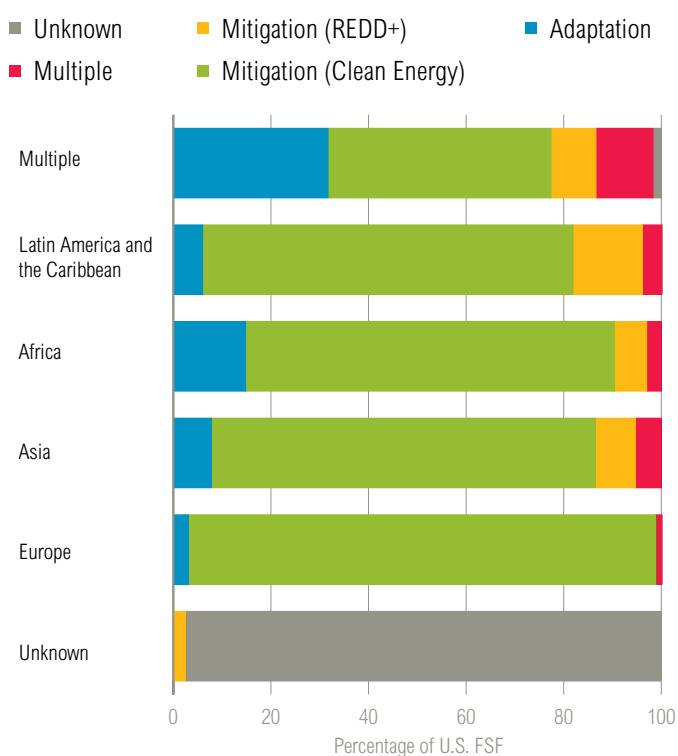


The amount of climate finance channeled by OPIC—as well as the MCC—has been volatile year to year. This reflects the demand-driven nature of these institutions’ design. If MCC partner countries do not request support for climate-related projects, for example, the MCC will not be able to channel much climate finance. Similarly, OPIC finance is driven by applications from companies seeking to invest in climate change-related activities in developing countries. Traditional foreign assistance channeled through USAID and multilateral funds, by contrast, has been relatively stable across the period (with declines in multilateral funding offset by increases in USAID-channeled funds).

Clean energy investments dominate in Asia

Asia remained the largest recipient region, commanding \$2.4 billion (or 32%) of U.S. FSF.¹⁰ Africa, at 19%, and Latin America and the Caribbean, at 13%, round out the top three recipient regions. Seventy-nine percent of U.S. FSF to Asia supported clean energy objectives. Africa received about double the proportion of finance for adaptation (15%) compared to Asia or Latin America and the Caribbean, while Latin America received about double the proportion of finance for REDD+ (14%) compared to Africa or Asia (see Figure 3).

Figure 3 | **Regional Objectives**



Twenty-one percent of bilateral finance supported projects that occurred at least in part in SIDS, LDCs, or both. Of that finance, 28% was for adaptation, 54% was for clean energy, 12% was for REDD+, and 6% supported multiple objectives. This estimate represents the maximum share of U.S. bilateral FSF that could have supported LDCs and SIDS. The minimum possible share, including only finance provided in whole to such countries, is 16% of bilateral finance, 64% of which supported clean energy.

Grants and related instruments account for almost two thirds of U.S. FSF

The United States transferred roughly 63% of its FSF in the form of grants and related instruments;¹¹ 37% in the form of loans, guarantees, and insurance; and less than 1% in debt relief. All U.S. FSF adaptation funding and the vast majority of REDD+ funds (95%) were in the form of grants and related instruments, compared to only 42% for clean energy.

Companies and multilaterals appear to have received the largest share

A recipient institution was identified for about 70% of the U.S. FSF portfolio. While the sample size is limited, it is notable that a significant fraction reaches developing countries indirectly—via U.S.-based firms and NGOs, as well as multilateral institutions. Approximately 30% of U.S. FSF is channeled directly to a developing country institution—19% to developing country companies, and 11% to developing country government entities (mostly Millennium Challenge Accounts established in conjunction with the Millennium Challenge Corporation).

Some progress on transparency

The FY12 report reflected some progress on transparency. The discrepancy between the reported total contribution and the amount described at the project or program level was lower than in past years, and the accessibility of aggregate statistics (for example, on channeling institutions, financial instruments, and recipients) was improved. The United States has also released some of the criteria it uses to identify FSF in response to a request under the Freedom of Information Act. The report falls short, however, of providing full project-level details.¹² More work is also needed in cooperation with other countries and multilateral institutions to harmonize reporting practices.

LOOKING AHEAD

Over the next decade, public climate finance provided by developed countries will continue to play a critical role in catalyzing global action on climate change, and will remain a priority as efforts accelerate to finalize a new global framework for climate action in 2015. While still two years away, this deadline will grow in importance as it approaches. Although governments are increasingly emphasizing private investment in climate finance discussions, public finance will still serve as an important tool in directing private flows and marshaling support for underfunded and under-provisioned needs. Furthermore, public finance delivered in keeping with the principles of the UNFCCC will foster trust and participation in collective action on climate change.

Sustaining and scaling up support

With overall U.S. official development assistance stagnant at 2010 levels (roughly \$27 billion), and unlikely to increase in the near term in a climate of fiscal austerity, it will not be easy to scale up finance beyond the FSF period to developing countries in ways that effectively reduce climate vulnerability and emissions. Success will likely hinge on a number of factors including:

- Strong leadership from the White House to maintain interest and engagement on climate change from the broad constellation of foreign assistance funders;
- A clear narrative and strategy within the State Department, Treasury Department, and White House about how new finance will be mobilized; and
- A strong methodology to demonstrate that scarce taxpayer resources are delivering low-carbon and climate-resilient development in key sectors and countries, so that legislators and the public have a better appreciation of the value and benefits that their climate finance contribution buys.

Mainstreaming climate change into foreign assistance

Making foreign assistance climate-compatible will be one essential component in ensuring adequate support, although it does not diminish the need to scale up finance to meet the new needs presented by climate change. The United States' approach to FSF reflects the centrality of mainstreaming: large portions of its adaptation finance pay for enhancing food and water security—neither of which is vulnerable exclusively as a consequence of climate change.¹³ Mainstreaming, however, complicates

the process of climate finance monitoring and accounting. How does one quantify adaptation assistance when, on the one hand, at its core it is development, but on the other it is quantified and tallied to assess contributions to international climate commitments? As we enter the period beyond FSF, the United States should continue to work with nations, development finance institutions, scholars, and practitioners to make progress on this issue and converge around a sensible solution.

Enhance and harmonize climate finance monitoring

The need to improve climate finance monitoring will remain beyond the fast-start period. Parties to the UNFCCC took a step in the right direction in 2012 when they adopted a common tabular format for reporting climate finance.¹⁴ While this format enhances and standardizes requirements for aggregated finance data, it does not obviate the need for a disaggregated list of projects and programs to support verification of aggregate figures; improve coordination between contributors, recipients, and other stakeholders; and promote accountability among both contributors and recipients.

As such, we suggest that the U.S. publish annually a complete list of projects and programs that specifies—insofar as data availability and confidentiality constraints permit—the major objective(s), channeling institution, financial instrument, beneficiary country/region, recipient institution, and disbursement status for each project or program. Second, to further enhance transparency, the United States should also include climate finance markers by pillar—in addition to reporting directly appropriated climate funds—across categories on the Foreign Assistance Dashboard, which provides a view of U.S. government foreign assistance funds and enables tracking across years and priorities. Third, the United States should ensure consistent reporting to the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) by tagging relevant climate finance projects with the appropriate DAC Rio Marker and using consistent project titles between the two reporting systems. Finally, the United States should continue to work in collaboration with other countries, multilateral institutions, and aid transparency initiatives to strengthen and harmonize bilateral and multilateral reporting on climate finance.

ENDNOTES

1. FCCC/CP/2009/11/Add.1
2. This work program is led by WRI and ODI in partnership with the Open Climate Network. For more information on background and methodology, see www.openclimatenetwork.org/analysis#finance.
3. pdf.wri.org/working_papers/ocn_us_fast-start_finance_contribution.pdf
4. http://pdf.wri.org/climate_finance_pledges_2012-11-26.pdf
5. Notably, this gap between top-line claim and total amount described at the program level decreased over the three years.
6. See “U.S. Fast-Start Finance” dataset maintained by the Open Climate Network. The \$500 million gap is the result of: 1) a need to maintain confidentiality while some projects are procurement-sensitive; 2) slower and sometimes ex-post assessments of the climate co-benefits of programs that are included as FSF but that are appropriated for other purposes (like biodiversity and food security); 3) programs in countries and regions that may be politically difficult to include; and 4) updates to the total FSF amounts in later year reports that were not fully explained at the level of the program, project, or fund.
7. The U.S. reports leveraging \$2.7 billion in private finance over the fast-start period through OPIC alone; however, it does not claim this private finance as part of its fast-start contribution.
8. This is in part because fewer unknowns were treated in the grant-based sample.
9. Because funds channeled from multilateral institutions were not disaggregated by recipient region or objective, only bilateral funds were considered.
10. In the primary dataset, funds channeled through multilateral institutions or mechanisms are not disaggregated by recipient region or country and as such are listed as targeting multiple regions (save for a \$1.5 million contribution to the European Bank for Reconstruction and Development that funds projects in Europe). These figures therefore reflect bilateral flows. A subset of the dataset (“Multilateral Funding Analysis”) estimates the U.S. contributions to discrete projects supported by multilateral institutions based on the proportion of the U.S. contribution to a given multilateral fund.
11. We can identify grant-supported projects and programs totaling 57% of the U.S. FSF portfolio; an additional 6% that is not identified at the project or program level is assumed to comprise grants as well based on interviews with U.S. government sources.
12. See footnote v for a list of reasons that the United States does not provide full project-level details.
13. <http://www.usaid.gov/sites/default/files/documents/1865/Agency%20Climate%20Change%20Adaptation%20Plan%202012.pdf>
14. For more information on the common tabular format adopted in Doha for developed country parties, see <http://unfccc.int/resource/docs/2012/cop18/eng/l12.pdf>.

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ODI is Britain’s leading independent think tank on international development and humanitarian issues. Our mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering, and the achievement of sustainable livelihoods in developing countries. We do this by locking together high quality applied research, practical policy advice, and policy-focused dissemination and debate. We work with partners in the public and private sectors, in both developing and developed countries. In partnership with the Heinrich Boell Foundation North America, ODI coordinates Climate Funds Update, an independent website monitoring and verifying dedicated public climate finance (<http://www.climatefundsupdate.org>).

ABOUT OCN

The Open Climate Network brings together independent research institutes and stakeholder groups to monitor countries’ progress on climate change. We seek to accelerate the transition to a low-emission, climate-resilient future by providing consistent, credible information that enhances accountability both between and within countries. <http://www.openclimatenetwork.org>.

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