

New and Additional?
**An assessment of fast-start finance commitments of the
Copenhagen Accord**

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Felix Fallasch and Laetitia De Marez

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Key Findings and Summary

In Copenhagen at COP15 in December 2009 developed country Parties *committed to provide “new and additional resources [...] approaching USD 30 billion for the period 2010 – 2012 with balanced allocation between adaptation and mitigation”*.¹ Both the volume of funds and whether they are new and additional are important to the process of building trust between countries to advance the work of developing a comprehensive, legally binding climate regime. In this paper we examine and quantify different ways defining new and additional.

In terms of overall volume of committed funds **developed country Parties would already meet their collective Copenhagen commitment of USD 30 billion for the period 2010-2012**. By October 2010, seven Parties (Australia, Canada, EU, Japan, Norway, Switzerland, United States) have communicated more or less precise individual numbers that they intend to contribute to this collective pledge. New Zealand and Iceland have not yet publically announced their share towards this pledge or – in the case of Iceland – if they intend to contribute funding at all. The way in which numbers were communicated varies among parties. The European Union Member States, Australia, Japan and Switzerland pledged a precise number that they intend to provide for the whole period. Other countries like the United States and Norway have not announced an individual pledge so far.

The picture becomes much less clear if the question of whether funds are new and additional is considered. This paper has selected three different scenarios of “New and Additional” and assessed their implications for the fast-start initiative. Different definitions have a significant impact on the amount of funding that would be eligible to be counted as fast-start finance.

If only funds that are new and additional to official development assistance (above ODA) are counted then the amount committed so far is only USD 8.2 billion. A less restrictive definition, where to qualify funds must be new and additional to funds that have been promised before COP15, amounts to about USD 17 billion. Allowing any funds to count as new and additional, even if part of ODA or put forward before COP15, adds up to USD 31.2 billion.

Scenario 1 – No agreed baseline for new and additional. Parties can decide at their discretion which funding sources they want to account for the fulfillment of their individual fast-start pledge. Under this definition all numbers that have been officially communicated by governments as fast-start finance contributions have been taken into account to calculate the overall Fast Start Finance (FSF) amount of **USD 31.2 billion**. This includes funding that has been committed or budgeted previously to December 2009 as well as funds that are used to fulfill the commitment of developed countries to increase their Official Development Assistance (ODA) to 0.7% of GNP.

Scenario 2 – Funds must be new and additional to those promised before COP15. Only funds that have been pledged after COP 15 are counted as new and additional. The analysis here shows that pledges to the World Bank Climate Investment Funds (WB CIFs), funds for the GEF-5 replenishment and those channeled through existing bilateral country initiatives are not additional, as these funds have been pledged before COP 15. Without the pledges towards CIFs, GEF and bilateral country initiatives the overall FSF-sum will shrink to **USD 17.8 billion**².

¹ Para 8 of the Copenhagen Accord.

² This sum again would be lower, if ODA used to fulfill the 0.7 GNP threshold would also not be counted under this scenario – an option that was not pursued, because it would go beyond the scope of this paper

Scenario 3 – Funds must be new and additional to Official Development Aid (ODA). Only funds are counted that were officially communicated as on top of existing ODA. This scenario corresponds to the original intention behind the terminology *new and additional* as enshrined in Article 4.3 of the Convention, which aimed to prevent Parties from diverting funding from existing ODA. So far only Japan and the Netherlands have communicated that parts of their funds (Japan) or their total (Netherlands) fast-start pledge will be additional to ODA. Funding provided by these two countries that is additional to ODA amounts to **USD 8.2 billion**. At the same time it is shown that such a definition brings along some caveats. The Netherlands for example provide their funding for 2010-2012 on top of ODA, however the designated new Dutch government agreed in its Coalition Accord that at the same time the ODA share will be reduced from 0.7 % of GNP to 0.8 % of GNP from 2011 onwards and international climate finance will be included in ODA, beginning in 2012.³ The Japanese part of the pledge that is not delivered as ODA includes private loans for mitigation projects. This might not be eligible to be counted as fast-start finance, because funding which “aims at meeting the urgent needs of developing countries in adaptation and preparedness for mitigation actions”⁴ should be provided in the form of grants or highly concessional loans.

Table 1. Copenhagen Accord Fast Start Finance pledges under different definitions of New and Additional

Number	Scenario for new and additional	Qualifying funds (approximately)	Scenario Description
1	No agreed baseline for new and additional	USD 31.2 billion	Contributor countries can decide at their discretion which funding sources they define as eligible to be counted Countries are allowed to count funding that has been committed or budgeted prior to December 2009 No restriction is made regarding counting ODA funds
2	Funds must be new and additional to those promised before COP15	USD 17.8 billion	Only funding that is not used to fulfill pre-existing commitments is counted Contributions to the CIFs are not eligible to be counted Contributions to the GEF are not eligible to be counted Funding allocated to existing bilateral initiatives is not counted Includes countries ODA to fulfill the 0.7 GNP target
3	Funds must be new and additional to Official Development Aid (ODA)	USD 8.2 billion	Only funding that is not part of countries official development assistance is eligible to be counted as fast-start finance

As Parties have different understandings of “New and Additional” it is likely that views on fulfillment of the fast-start pledges will be divergent. This highlights the need to find a common definition of “New and Additional” to allow the fast-start finance initiative to tap its full potential to rebuild trust between different groups of countries. It would be highly relevant for COP16 in Cancun to consider provisions for the annual compilation and analysis of information on progress towards meeting the Copenhagen Fast Start Finance commitments.

³ Regeerakkoord VVD-CDA. Bijlage: Begrotingsbeleid", 30 september 2010
<http://www.kabinetsformatie2010.nl/dsc?c=getobject&s=obj&objectid=127448> (in Dutch).
<http://www.kabinetsformatie2010.nl/dsc?c=getobject&s=obj&objectid=127448> (in Dutch)

⁴ Para 8 Copenhagen Accord

Introduction: New and Additional in the UNFCCC

The terminology *new and additional* is enshrined in Article 4.3 of the Convention which states that “*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.*”

The rationale to require developed country Parties to provide *new and additional* resources was intended to make sure that no ODA funds would be diverted by Annex II Parties⁵ to meet their obligations under the new convention.⁶ However, measuring what funding is “*new and additional*” has proven to be difficult. Under the current reporting guidelines for National Communications, Annex II countries are required to indicate “*what ‘new and additional’ financial resources they have provided pursuant to Article 4.3.*” Parties should also “*clarify how they have determined such resources as being ‘new and additional’ in their National Communications.*”⁷ In practice however the quality of information regarding additionality varies substantially. Many Annex II Parties stated prior to the preparation of their 4th National Communication that “*reporting on ‘new and additional’ sources of financing, was considered challenging given the question of definition and criteria for identifying these resources.*”⁸ Therefore, to prove additionality, countries in their National Communications often only indicated that their GEF contributions are separate from bilateral funding to. Frequently, Parties refrained from addressing this question at all.⁹

Other international institutions have undertaken efforts to define *new and additional* were confronted with the same technical, definitional and political problems as the UNFCCC.¹⁰ For example, in 1995, the UN Commission on Sustainable Development (CSD) developed a working list of 134 voluntary indicators of sustainable development. This list included an indicator measuring “*new and additional*” funding for sustainable development that was provided by developed countries since 1992. However this indicator was excluded from the final set of indicators, because Parties were not able to agree on a baseline.¹¹

The *new and additional* terminology can currently be found in a number of COP decisions. While in some cases *new and additional* has been narrowed to a specific objective (for example in the context of Funding under the Kyoto Protocol in decision 10/CP.7, the terminology “*new and additional to*” was attributed to contributions under the convention in decision 7/CP.7) no general definition has emerged which all Parties use. These different understandings of additionality have also been elaborated in Parties’ submissions to the UNFCCC (see table below).

⁵ Annex II Parties in the Convention are those with financial obligations and do not include those developed countries with economies in transition i.e. Russian Federation, Ukraine.

⁶ Farhana Yamin and Joanna Depledge – The international Climate Change Regime – A guide to Rules, Institutions and Procedures, Cambridge University Press, 2004, p. 276.

⁷ FCCC/CP/1999/7 VIII Expert Review Teams (ERT) Financial Resources and Transfer of Technology.

⁸ FCCC/SBI/2007/INF.6/Add.2 Compilation and synthesis of fourth national communications para 30.

⁹ Ibid para 29: Seven Annex II Parties reported their “*new and additional*” contributions as their contributions to the GEF for the reporting period. Two Parties linked their “*new and additional*” contributions to the pledges made in the Bonn Agreements on the implementation of the Buenos Aires Plan of Action and discussed multilateral and bilateral initiatives as well as contributions to the Special Climate Change Fund. In addition, two Parties reported their “*new and additional*” contributions separately from other contributions without stating why they were considered as “*new and additional*”, and one country reported all its contributions as “*new and additional*”. Nine Parties did not refer explicitly to “*new and additional*” resources in their 4th National Communications.

¹⁰ The following example is taken from Farhana Yamin and Joanna Depledge – The international Climate Change Regime – A guide to Rules, Institutions and Procedures, Cambridge University Press, 2004, p. 276.

¹¹ Farhana Yamin and Joanna Depledge – The international Climate Change Regime – A guide to Rules, Institutions and Procedures, Cambridge University Press, 2004, p. 276.

Multilateral institutions are also currently looking into this issue: the OECD DAC (which has been developing the accounting rules for ODA) and the World Bank, which is looking for frameworks to track contributions to its Climate Investment Funds (CIFs) as new and additional ODA resources.¹²

Implications for fast-start financing

The central question in relation to *new and additional* in the context of fast-start finance is: what is the rationale for using the terminology *new and additional* in the context of the Copenhagen Accord? It is important to understand if countries have the same understanding as when they agreed to Article 4.3 of the Convention, which was to ensure that scarce ODA funds will not be diverted from other fields of development assistance. So far, developed countries have not addressed this question publicly. The sticking point for FSF therefore is how countries define *new and additional* when deciding which resources they intend to count towards their individual fast-start finance pledge. As this analysis shows, different definitions of additionality can have a significant impact on the scale of funding that would be eligible to be counted towards individual fast-start finance commitments.

Additionality Scenarios – Methodology

This paper aims to show that without a common understanding of the terminology *new and additional* the fast-start finance initiative will likely not be able to tap its potential to rebuild trust between different groups of countries as it will just be impossible to reliably assess whether developed countries are meeting their commitments. Therefore we assess fast-start finance contributions under different additionality scenarios. Each of the scenarios would allow a different conclusion whether developed country pledges are met. Although no common definition exists, several proposals have been discussed in the literature aiming to provide options that can be pursued by Parties.¹³ For our analysis we selected three of these scenarios and applied them to existing FSF commitments on the individual country level.

It is important to highlight that given the level of transparency and information provided, it is not currently possible to do a full assessment of any FSF pledges. To identify which specific portion of funding comes from ODA for example is not possible for all countries due to the lack of official information available. Therefore all scenarios should be seen as indicative and are meant to show how different additionality definitions influence the scale of fast-start funding.

¹² Update on distinguishing and tracking CIF contributions as new and additional ODA resources – Joint meeting of the CTF and SCF Trust Fund Committees, March 2010
<http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Joint%20%20Distinguishing%20and%20Tracking%20Contributions%20to%20the%20CIF%20as%20new%20and%20additional%20ODA%20Resources%20FINAL.pdf>

¹³ Martin J Stadelmann, J. Timmons Roberts and Saleemul Huq Baseline for trust: defining ‘new and additional’ climate funding, IIED policy paper, June 2010 <http://www.iied.org/pubs/pdfs/17080IIED.pdf>; Remi Moncel, Hilary McMahon and Kirsten Stasio Counting the Cash: Elements of a Framework for the Measurement, Reporting and Verification of Climate Finance, WRI December 2009 http://pdf.wri.org/working_papers/counting_the_cash.pdf; Jessica Brown, Neil Bird and Liane Schalatek Climate Finance Additionality: Emerging Definitions and Their Implications – Climate Finance Policy Brief No.2, ODI and Heinrich Böll Stiftung North America, June 2010. http://www.boell.org/downloads/Schalatek_Climate_Finance_Additionality_6-2010.pdf

Table 2. New and Additional in the UNFCCC, other UN Conventions, Multilateral Institutions and the Copenhagen Accord

New and additional in the UNFCCC context	Text	Source
Convention Article 4.3	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.	
Kyoto Protocol Article 11.2	Provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in advancing the implementation of existing commitments under Article 4, paragraph 1(a), of the Convention that are covered in Article 10, subparagraph (a).	
Funding under the Convention		
Decision 7/CP.7 (Marrakesh Accords)	There is a need for funding, including funding that is new and additional to contributions that are allocated to the Global Environment Facility climate change focal area and to multilateral and bilateral funding, for the implementation of the Convention.	FCCC/CP/2001/13/Add.1 Page 43
Decision 10/CP.7 (Marrakesh Accords)	Recognizing that funding should be made available to Parties not included in Annex I which is new and additional to contributions under the Convention.	FCCC/CP/2001/13/Add.1 Page 52
Bonn Declaration ¹⁴ Statements made in connection with the approval of the Bonn Agreements on the implementation of the Buenos Aires Plan of Action	We reaffirm our strong political commitment to climate change funding for developing countries. We are prepared to contribute USD 410 million, which is 450 million Euro, per year by 2005 with this level to be reviewed in 2008. Funding to be counted can include: contributions to GEF climate change related activities; bilateral and multilateral funding, additional to current levels ; funding for the special climate change fund, the Kyoto Protocol Adaptation Fund and the LDC fund; and funding deriving from the share of proceeds of the clean development mechanism, following entry into force of the Kyoto Protocol.	FCCC/CP/2001/MISC.4 pages 6-7
Bali Action Plan Decision 1/CP.13	[...] Enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation, including, inter alia, consideration of Improved access to adequate, predictable and sustainable financial resources and financial and technical support, and the provision of new and additional resources, including official and concessional funding for developing country Parties.	FCCC/CP/2007/6/Add.1 Page 3
New and Additional in the context of the Copenhagen Accord		
Paragraph 8	Scaled up, new and additional , predictable and adequate funding as well as improved access shall be provided to developing	FCCC/CP/2009/11/Add.1 Page 6-7

¹⁴ For more information and an assessment of the compliance by signatories see Laetitia De Marez, *Assessing the 2001 Bonn "Political Commitment" on Financial Support to Developing Countries*, Climate Analytics, 2009.

countries, in accordance with the relevant provisions of the Convention, to enable and support enhanced action on mitigation, including substantial finance to reduce emissions from deforestation and forest degradation (REDD-plus), adaptation, technology development and transfer and capacity-building, for enhanced implementation of the Convention.

New and additional in the context of other UN conventions

Agenda 21

UNDESA Division for Sustainable Development

Preamble

The developmental and environmental objectives of Agenda 21 will require a substantial flow of **new and additional** financial resources to developing countries, in order to cover the incremental costs for the actions they have to undertake to deal with global environmental problems and to accelerate sustainable development.

Chapter 33

Means of implementation

UNDESA should [...] Identify ways and means of providing **new and additional** financial resources, particularly to developing countries, for environmentally sound development programmes and projects in accordance with national development objectives, priorities and plans and to consider ways of effectively monitoring the provision of such **new and additional** financial resources, particularly to developing countries, so as to enable the international community to take further appropriate action on the basis of accurate and reliable data

Scenario 1 – No agreed baseline for new and additional

The scenario: “No agreed baseline for new and additional” represents the status quo of the fast-start finance initiative. Contributor countries can decide at their discretion which funding sources they define as eligible to be counted as fast-start finance. Countries are therefore allowed to count funding that has been committed or budgeted prior to December 2009. No restriction is made regarding ODA funding and pledges can be diverted from existing aid commitments. Under this scenario all numbers that have been officially communicated by governments as fast-start finance contributions are taken into account to calculate the overall FSF amount. This total scale of fast-start funding would add up to USD 31.2 billion for 2010-12 (For sources on individual country numbers please refer to our previous detailed assessment on FSF progress¹⁵).

¹⁵ Felix Fallasch and Laetitia De Marez, *Assessment of progress on fast-start finance commitments* – Climate Analytics, updated version, October 2010.

Scenario 1 – No agreed baseline for new and additional

Country	Pledge/Commitment (all numbers are approximation due to conversion into USD)	Period
Australia	USD 500 million	2010-12
Canada	USD 380 million	2010
EU	USD 10 billion	2010
Japan	USD 15 billion	2010-12
Iceland	-	
New Zealand	-	
Norway	USD 357 million	2010
Switzerland	USD 130 million	2010-2012
US	USD 4.8 billion	2010-11
Total	USD 31.2 billion	

As a result of this approach pledges by countries are not comparable and even low pledges can be labeled as significant commitments. Pre-existing funding commitments can be relabeled as new and additional. Commitments could even be met without budgeting any funding that has not been promised before the fast-start pledge. Also countries with ambitious pledges will get no credit for their efforts since there is a lack of comparability and transparency.¹⁶ Since this scenario represents the highest outcome that contributing countries can achieve under current circumstances, we will use it as a default scenario to outline how the overall FSF amount would shrink if other definitions of *new and additional* are applied.

¹⁶ Martin J Stadelmann, J. Timmons Roberts and Saleemul Huq Baseline for trust: defining ‘new and additional’ climate funding, IIED policy paper, June 2010 <http://www.iied.org/pubs/pdfs/17080IIED.pdf>

Scenario 2 – Funds must be new and additional to those promised before COP15

Under this scenario, only funding that is not used to fulfill pre-existing commitments is counted towards FSF. Of special interest is climate related funding, which has been pledged previously to COP 15, but not delivered. In their recent announcements Parties communicated numbers that are part of this undelivered funding as FSF contributions.

The best example is funding pledged to the World Bank Climate Investment Funds (WB CIFs). On 26 September 2008 developed countries¹⁷ pledged to provide USD 6.1 billion to these funds.¹⁸ Of this pledge only USD 503 million has been delivered as of December 2009.¹⁹ It is estimated that of the remaining USD 5.6 billion approximately USD 4.3 billion will be included in several countries individual FSF funding pledges²⁰. Under this scenario 3 this funding would not be eligible to be counted as fast-start finance.

Similarly, several countries indicated that they would count their contributions to the GEF-5 replenishment towards their fast-start finance commitment.²¹ In most cases countries only count the increase from the GEF-4 replenishment period. Negotiations for the GEF-5 replenishment started in 2008 and would have reached a similar level of pledges without the fast-start finance commitment (the level of the agreed GEF-5 pledges is in the lower range of different scenarios that were discussed as a replenishment target).²² The decisive issue here is the promise to replenish the GEF and not the date of the agreed replenishment target. Therefore funding for GEF-5 would also not be eligible to be counted under this scenario 3.

The governments of Austria (EUR 6.1 million), Belgium (EUR 10 million), France (EUR 75 million) and Sweden (SEK 335) indicated already in the Final Programming document of the GEF-5 replenishment that they intend to count parts of their contributions towards FSF.²³ Other countries announced their intention recently or included this information in their budget appropriations. The total GEF-5 funding which countries so far count towards fast-start finance is estimated to be USD 576.4 million (see Table below).

¹⁷ Australia (USD 137 million), Canada (USD 96 million), Denmark (USD 24 million), France (USD 274 million), Germany (USD 741 million), Japan (1.19 billion), Netherlands (USD 73 million), Norway (USD 177 million), Spain (USD 108 million), Sweden (USD 83 million), Switzerland (USD 20 million), UK (USD 1.21 billion) and US (USD 2 billion).

¹⁸ Donor Nations Pledge Over \$6.1 Billion to Climate Investment Funds – News Broadcast, The World Bank 2008

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21916602~pagePK:34370~piPK:34424~theSitePK:4607,00.html>

¹⁹ For details see Strategic Climate Fund (SCF) Financial Statement and auditors' report, December 31, 2009 page 6

<http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/SCF%20Financial%20Statement%20December%2031%202009%20.pdf> and Clean Technology Fund (CTF) Financial Statement and auditors' report, December 31, 2009 page 6

<http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF%20Financial%20Statements%20December%2031%202009%20.pdf>

²⁰ Five countries haven't provided information on whether they count CIF contributions as FSF, these are: Canada, Japan, Spain, Sweden and Switzerland. Canada already delivered USD 83 million out of its pledge of USD 96 million before December 2009. Spain delivered USD 43 out of USD 108 million and Sweden 38 out of 83 million. Japan and Switzerland haven't delivered any of their pledges in 2009. The outstanding contributions of Canada, Spain and Sweden as well as the pledges by Japan and Switzerland total to approximately USD 1.3 billion, which were subtracted from the USD 5.6 billion. None of these countries has officially stated that their CIF contributions will not be part of their FSF.

²¹ So far only Denmark publically announced that its GEF-5 contributions are not part of its fast-start commitment. www.faststartfinance.org Contributing countries – Denmark. General Information http://www.faststartfinance.org/contributing_country/denmark

²² The pledges for the GEF-5 replenishment amount to USD 4.25 billion. Three scenarios for a replenishment target had been prepared by the GEF secretariat for negotiations: USD 4.5 billion (low); USD 5.5 billion (medium) and USD 6.5 billion (high). See *Final GEF-5 Programming Document prepared by the GEF secretariat*; p. iv

http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF_R5_%202005,%20Final%20GEF_5%20Programming%20Document,%20Feb%2012,%202010.pdf

²³ Summary of negotiations – 5th replenishment of the GEF-Trust Fund http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF-A.4-7%20Summary%20of%20Negotiations%20of%20the%20Fifth%20Replenishment%20of%20the%20GEF_0.pdf

Table 3. GEF-5 funding counted towards fast-start finance

Country	Amount (approx.) million USD	Source
Australia	36	Budget Paper No. 2 2010-11 Part 2: Expense Measures – Climate Change http://www.budget.gov.au/2010-11/content/bp2/html/bp2_expense-05.htm
Austria	8	GEF-5 Final Programming document
Belgium	13	GEF-5 Final Programming document
Canada	46	Canada News Centre: <i>Canada Increases Funding for Global Effort to Fight Climate Change</i> , May 28, 2010 http://news.gc.ca/web/article-eng.do?m=/index&nid=535849 ADD NEW SOURCE
France	98.5	GEF-5 Final Programming document
Germany	120 ²⁴	Finanzierung des internationalen Klimaschutzes und der Anpassungsmaßnahmen an den Klimawandel in Entwicklungsländern (in German) ²⁵ http://dip21.bundestag.de/dip21/btd/17/011/1701196.pdf
Sweden	48	GEF-5 Final Programming document
Switzerland	13.4	Botschaft über einen Rahmenkredit für die globale Umwelt (in German) http://www.admin.ch/ch/d/ff/2010/4779.pdf
UK	17	www.faststartfinance.org
US	176.5	FY 2010 and FY 2011 request ²⁶
Total	576.4	

There are also parts of the Japanese pledge of USD 15 billion for the period 2010-2012 which have been previously committed. In January 2008, the Japanese government pledged USD 10 billion under the *Cool Earth Partnership* for the period 2008-2012. As of December 2009, approximately USD 2.5 billion of this pledge was delivered. In December 2009, the *Cool Earth Partnership* was renamed and is now called the *Hatoyama Initiative*. This newly named initiative was stated to provide USD 15 billion for the period 2010-2012 and builds on the remaining USD 7.5 billion of the *Cool Earth Partnership*.²⁷ Funding eligible to be counted as fast-start finance under scenario 3 for Japan is therefore only USD 5 billion that had not already been pledged or delivered under the Cool Earth Partnership.

Other countries count existing commitments from bilateral initiatives towards their fast-start contribution. Germany for example committed to provide EUR 120 annually through its International Climate Initiative (ICI) from 2008 onwards. Since this funding was already promised in 2008 it will not be counted as FSF under this scenario 3. In 2007, Norway established the *Norwegian Climate and Forest Initiative*. The funding of USD 357 million committed so far for 2010 has been pledged before December 2009 under this initiative.²⁸ Also Australia counts funds that have been previously committed to the

²⁵ Germany stated that it will count GEF funding that is over the contributions in 2009. These correspond to approximately USD 120 million in the fast-start finance period 2010 to 2012.

²⁶ These reflect total GEF contributions allocated in the FY 2010 and FY 2011 budget appropriations. This funding might contain arrears for previous GEF replenishments.

²⁷ For more details on the status of the Hatoyama Initiative see: The situation of the Cool Earth Partnership and the Hatoyama Initiative – Kiko Network, May 2010. http://www.kiconet.org/english/publication/archive/20100524_CEP_and_HI%28Eng%29.pdf

²⁸ For details compare the funding appropriations for Norway on the webpage www.faststartfinance.org and information provided on the website of the Norwegian Climate and Forest Initiative <http://www.regjeringen.no/en/dep/md/Selected-topics/climate/the-government-of-norways-international-/what-do-we-finance.html?id=557700>

International Climate Change Adaptation Initiative and the *International Forest Carbon Initiative* towards its FSF contribution. Funding committed before December 2009 totals AUD 243.8 million (approx. USD 231 million).

It could be argued that official development assistance should also not be eligible to be counted towards fast-start finance under this scenario, because developed country Parties promised in 1970 that they will provide 0.7 percent of their GNP in development assistance and only a few countries have reached this threshold so far. Separating out fast-start funding provided at the same time as ODA to reach the 0.7% GNP threshold however would go beyond the scope of this paper.

Others also argue that it is questionable to count funding that has been included in the 2010 budget before December 2009 as new.²⁹ This argument is also not considered under this scenario, because budget cycles may impose governments to decide their budget before the end of 2009. Also countries might have anticipated an increased need for funding after COP 15 in their budget decisions for 2010 as the idea of fast-track financing and a USD 30 billion envelop was discussed among developed countries in 2009 and agreed under the Copenhagen Accord.

In summary under this scenario funding eligible to be counted towards fast-start finance would amount to approximately **USD 17.8 billion**. It should be noted that such an approach would disadvantage ambitious countries that have moved early to provide funding. These are especially countries that have already established bilateral country initiatives. Governments who waited to increase climate related funding until after COP 15 would have a late mover advantage, because in the process of catching up with other countries they would be able to count new funds as fast-start funding, while other countries cannot count any of their pre-existing commitments.

Scenario 2 – Funds must be new and additional to those promised before COP15

Default from Scenario 1	USD 31.2 billion
Contributions to the Climate Investment Funds	- USD 4.3 billion
Remaining funding pledged to the Cool Earth Partnership in 2008 (Japan)	- USD 7.5 billion
GEF-5 contributions	- USD 576.4 million
German ICI funding	- USD 480 million
2010 Norwegian funding already pledged to the <i>Norwegian Climate and Forest Initiative</i>	- USD 357 million
Previously committed funding by Australia	- USD 231 million
Total eligible under Scenario 3	= USD 17.8 billion

²⁹ Martin J Stadelmann, J. Timmons Roberts and Saleemul Huq Baseline for trust: defining 'new and additional' climate funding, IIED policy paper, June 2010 <http://www.iied.org/pubs/pdfs/17080IIED.pdf>

Scenario 3 – Funds must be new and additional to Official Development Aid (ODA).

Under this scenario only funding that is not part of countries official development assistance (ODA) would be eligible to be counted as fast-start finance. This scenario would correspond to the original intention behind the terminology *new and additional* as enshrined in Article 4.3 of the Convention to prevent Parties from diverting funding from existing ODA. Until recently the Netherlands were a role model for delivering truly *new and additional* funding in a transparent manner. They were the only country that communicated that all of their fast-start funding will be top of the existing ODA percentage of 0.8% of GNP.³⁰ At the same time the Netherlands were at the forefront of an initiative establishing the website www.faststartfinance.org which allows contributing country governments to provide official information about their fast-start pledges. Among contributing countries the Netherlands by far have provided the most comprehensive information on the allocation of their pledges. The designated³¹ new Dutch government however agreed in its coalition accord that it will reduce the expenses for development cooperation from 0.8% of GNP to 0.7% of GNP per year, starting in 2011³² In addition international climate expenses will from 2012 onwards be part of ODA³³, which means that all long-term climate financing likely will come from ODA funding. So, if at the same time the ODA quota would be held constant beyond 2012 large portions of funding might be diverted from existing aid projects.

Japan communicated that parts of its funding will be in other form than ODA. Half of its fast-start funding is channeled through “other official financing in collaboration with the private sector.”³⁴ This funding might be not seen as eligible to be counted as fast-start finance, because funding which “aims at meeting the urgent needs of developing countries in adaptation and preparedness for mitigation actions”³⁵ should be provided in the form of grants or highly concessional loans.

Australia stated that all of its funding will be “part of the Government's commitment to increase Australia's overseas development assistance over the long term.”³⁶ For Canada no information is available if the government intends to count FSF as ODA. All of Norway's commitment so far stems from the national official development assistance budget.³⁷ For Switzerland all fast-start funding is expected to come from its increased ODA budget.³⁸ European Member States such as Germany or the UK will draw their fast-start funds from their national aid budgets. Denmark will take its fast-start funding from its aid budget while at the same time freezing this budget at the 2009 level.³⁹ Under such an approach money has to be shifted away from existing aid projects/programmes.

³⁰ www.faststartfinance.org Contributing countries – The Netherlands. General Information http://www.faststartfinance.org/contributing_country/netherlands. The Netherlands are one of the few countries that have met or exceeded the 0.7% GNP commitment for ODA.

³¹ The final decision is still subject to an internal vote by one coalition party.

³² Vrijheid en verantwoordelijkheid. Concept Regeerakkoord VVD-CDA", 30 september 2010 <http://www.kabinetsformatie2010.nl/dsc?c=getobject&s=obj&objectid=127446> (in Dutch).

³³ Regeerakkoord VVD-CDA. Bijlage: Begrotingsbeleid", 30 september 2010 <http://www.kabinetsformatie2010.nl/dsc?c=getobject&s=obj&objectid=127448> (in Dutch).

³⁴ Japan's fast start financing for developing countries up to 2012 (available in English, French, Spanish and Portuguese) <http://www.mofa.go.jp/policy/environment/warm/cop/index.html>

³⁵ Para 8 Copenhagen Accord

³⁶ Budget Paper No.2 Part II Expense Measures – Climate Change and Energy Efficiency http://www.budget.gov.au/2010-11/content/bp2/html/bp2_expense-05.htm

³⁷ www.faststartfinance.org Contributing countries – Norway. General Information http://www.faststartfinance.org/contributing_country/norway

³⁸ Botschaft über einen Rahmenkredit für die globale Umwelt (in German) <http://www.admin.ch/ch/d/ff/2010/4779.pdf>

³⁹ Africa Contact: Danish government set to cut back on development aid press release May 2010. <http://www.afrika.dk/regeringens-spareplan-risikerer-udsulte-udviklingsbistanden>

The Dutch case highlights the caveats that such a definition has. Although the Netherlands provide fast-start funding on top of ODA this funding, might not be truly additional to existing aid projects, because the designated new government decided to decrease its ODA share at the same time. This again makes the case for the need of a common definition of *new and additional* in the context of developing provisions and guidelines for a robust MRV system of long-term financing.

Scenario 3 – Funds must be new and additional to Official Development Aid (ODA).

Country	Funding additional to ODA	Period
Australia	all ODA	2010-12
Canada	no information	2010-12
EU	USD 400 million (Netherlands)	2010-12
Japan	USD 7.8 billion (includes private loans)	2010-12
Iceland	-	
New Zealand	-	
Norway	all ODA	2010
Switzerland	all ODA	2010-2012
US	No information	2010-11
Total	USD 8.2 billion	

Conclusions

The intention of this paper is to showcase that different definitions of *new and additional* have a significant influence on measuring fast-start funding contributions. Depending on which definition is applied, stocktaking of financial pledges so far fluctuates between **USD 8.2 billion** and **USD 31.2 billion**. As developed and developing Parties have a different understanding of the terminology *new and additional*, they in the end will likely have divergent views whether the fast-start finance commitment has been fulfilled. This would waste the high potential that the fast-start finance initiative offers in rebuilding trust to deliver financial assistance between the different groups of countries. The early stage of the fast-start finance period still leaves room to correct existing deficiencies. The FSF period should be a learning exercise for contributor countries as well. Parties could decide to kick-start negotiations on a common definition of *new and additional* in the context of developing provisions and guidelines for a robust MRV system of long-term financing.

In the meantime reporting or voluntary communication of fast-start finance commitments might follow existing UNFCCC reporting guidelines. These require Parties to *clarify how they have determined [such] resources as being “new and additional”*⁴⁰ Through the new website www.faststartfinance.org sponsored by the government of the Netherlands, an interim platform is available to governments to showcase such information. Unfortunately only the Netherlands so far provide useful information regarding additionality. Given this context it would be highly relevant for COP16 in Cancun to consider provisions for the annual compilation and analysis of information on progress towards meeting the Copenhagen Fast Start Finance commitments.

⁴⁰ FCCC/CP/1999/7 VIII Financial Resources and Transfer of Technology