Global Climate Funding Mechanism: Is It an Effective Way of Helping the Poor, Small and Most Vulnerable Countries?
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Executive Summary

► While there’s no doubt climate change fund mechanisms have helped millions of people in developing countries to improve their resilience to climate change, they failed to meet their underlying objectives of curtailting and reducing greenhouse gas emissions and climate disasters worldwide.

► While public-private partnerships in climate funding is viewed as a sound policy, the resulting effect of debt burden that comes with it is detrimental to the independent and economic viability of small, poor, and vulnerable developing countries.

► While politics and ideology are inextricably linked, they adversely influence true science in current climate policy debate, giving rise to both radical environmentalism and climate change resistance movements. This antagonism threatens to downplay the genuine climate problems facing small, poor and vulnerable countries.

► In light of the clashes between politics and ideology in the climate science, a rethink of climate change approach is needed, one that is sensible, responsible, pro-human, and does not erode economic and individual freedom. The new approach should focus on advancing human ingenuity in new technological development and innovation to tackle climate problems.

At the close of the Earth Summit in Rio de Janeiro in 1992 a new global Agenda was herald into existence when more than 178 nations adopted the Agenda for the 21st Century or Agenda 21. Agenda 21 lays out a comprehensive blueprint for the total transformation and reorganization, not only of every society, but also of human behavior and consumption, through sustainable development means. It is a 100-years action plan for the entire globe, implemented at the local level by state parties to the United Nations.

The first set of global goals, 8 of them, came in a form of Millennium Development Goals that ran from 2000 to 2015. Unfortunately, when the world turned 2015, very few, if not, none of the developing countries, had achieved all 8 goals. Hence new measures were taken to refine, refresh, expand and further elaborate these goals into 17 Sustainable Development Goals (SDGs) for the 2030 target. Since SDGs were launched in 2015, much work has been carried out at all levels of governance, at international, national and sub-national level to...
implement these goals. The success or failure to achieve these noble and lofty goals can only be assessed come 2030.

At the hearth of Brundtland Commission’s report, the Agenda 21 and SDGs (Agenda 21 and SDGs are like two sides of the same coin, the difference is their presentation, not the policy fundamentals) is the protection of ‘mother earth’ (the gaia), the environment or ecology.

The Case for International Support Measures

Global warming and climate change are the most destructive elements to the environment and the survival of mankind. Those most affected are countries that are small, poor and vulnerable, usually at the frontline of climate change impact.

Of course, every country, developed and developing alike, is affected by climate change in one way or another. But the main difference is that developed or rich countries have the means and capacity to withstand or quickly recover from climate disasters when they strike, where as small, poor and vulnerable developing countries do not. Some of these countries are just few meters above sea level, like the island nations in the Caribbean and Pacific.

According to UN fact figures, most of the world’s poverty is concentrated in developing countries with 783 million people live below the international poverty line of US$1.90 a day. In 2016, almost 10 per cent of the world’s workers and their families lived on less than US$1.90 per person per day. Thus, the case for international support mechanisms on climate change is legitimate and morally justified, not only to address their climate vulnerability, but also to raise them out of poverty level.

Climate Funding Mechanism

When the Kyoto Protocol was signed in 1997, the hope of world’s population was at the all time high. Finally, they said, this international treaty will curtail the surge of greenhouse gas emission and reduce global warming and the effects of climate change. With the creation of its moneymaking funding arm in 2001, the Adaption Fund (AF), that view was amplified.

At the inception of AF, the European Union and its member states, Canada, Iceland, New Zealand, Norway and Switzerland, made a joint political declaration to collectively contribute £450 million (US$410 million) annually by 2005. Since then the AF has dished out millions of dollars on projects, mostly in a form of grant, to assist developing countries, especially the most vulnerable amongst them to adapt to climate change and at the same time reduce their greenhouse gas emission into the atmosphere.

Twenty years on the result was grim. In fact, according to available data, Kyoto climate treaty was a big failure. Global CO2 emissions actually increased from slightly over 20% in 1990 to more than 30% in 2010. Not only the signatory to the treaty failed to adhere to their legal commitments but the large developing countries like China and India, which are not required to take legal commitment under the treaty, also ran amok in polluting the atmosphere with uncontrolled CO2 emission. Extreme weather, such as cyclone, hurricanes and inundation continue to haunt mankind with devastating effects and plunged millions of people into poverty.

What went wrong? What could be the right solution? The answer: not enough money. At least that was the thinking of climate policy makers. So, another global climate fund was created. It is called Green Climate Fund or GCF. It was established by COP16 in 2010 with the same goals as AF. But this time it is huge and independent. Big money was promised. The UNFCCC members promised to raise US$100 billion per year by 2020.

When the Paris Agreement was reached in 2015, the GCF was solidified and further elevated to serve as a funding arm of the Paris Accord. The world’s population again breathed a sigh of relief. Government delegates, international bureaucrats, scientists, climate activists, environmental campaigners, experts, academics, indigenous people, all shed tears of joy. World leaders hug each other to show the great achievement of international solidarity and cooperation. Now we have a comprehensive international agreement that will truly address the world’s climate problems, so they said.

However, nine years on after the promise of US$100 billion per year by 2020 was made, only US$10.3 billion was pledged as of January 2019. This is but a fraction of the amount promised. In fact, out of the US$10.3 billion pledged, US$ 5.0 billion was committed for 102 projects and so far only US$ 2.18 billion have been spent on climate adaptation and mitigation in developing countries. With these numbers, it is safe to say that the GCF is facing financial shortage if commitments by countries are not fulfilled.

The good news though, is that with the money spent so far, an estimated 1.5 billion tones of CO2 have been avoided from polluting the atmosphere and an
estimated 275.6 million people in developing countries increased their resilience to climate change effects. Quite impressive numbers. But do these figures help reduce global warming and the occurrence of climate disasters? Not a dent.

According to Bjorn Lomborg, author of the book The Skeptical Environmentalist: Measuring the Real State of the World, “If the rest of the world meet their Paris promises carbon cuts for 2030 or sustain them throughout the rest of the century, temperature in 2100 would drop by 0.3 degrees—the equivalent of postponing warming by less than four years, using UN’s own climate prediction model”. He further analysed that even this miniscule benefit does not come free. He pointed out that “the cost of the Paris climate pact is likely to run in to 1 to 2 trillion dollars every year, based on the estimates produced by the Stanfords Energy Modeling Forum and the Asia Modeling Exercise. In other words, we will spend at least one hundred trillion dollars in order to reduce the temperature, by the end of the century, by a grand total of three tenths of one degree”.

Political Mantra

“Small Islands Developing Countries and Least Developed Countries are not the cause of climate change and yet suffer the most from it’.

We hear this saying all the time. ‘These countries should not pay for the global climate problem they don’t cause’. But is this true? Or is it just a political mantra to rally these small, poor and vulnerable countries to support climate policies that actually make them pay. I argue that they pay and pay hugely for the problem they don’t cause.

Let’s take for example Solomon Islands, a small island state with least developed country status in the South Pacific Ocean. In 2017 the GCF approved a renewable energy project for the country known as Tina River Hydropower Development Project. It is being implemented on a public-private partnership arrangement. The total project cost is US$233.98 million, which is equivalent to the country’s entire 2009 national budget. It aims to reduce Solomon Islands reliance on diesel fuel for its electricity generation by increasing renewable energy supply from current 3% to 67% when the project is commissioned by 2022.

When the project is rolled out, it is expected that Solomon Islands will reach a “net GHG emission reduction of 49,500 tCO2 eq per year and a total of 2.48 million tCO2 eq over the 50 year life of the Project”. This represents a “60% higher than the target reduction of 31,125 tCO2eq/year by 2030”. However, the funding structure of this project is interesting because the large portion of US$233.98 million is loan money as shown below.

source: greenclimate.fund

Grant finance only accounts for US$31.9 million of the entire project. And of the US$86 million support fund provided by GCF, US$70 million is in a form of loan. Although the loan repayment to GCF is said to be at zero percent, the government will have to pay the US$70 million dollars it does not have. Private investor equity accounts for US$ 25.3 million and Solomon Islands government equity share is US$20 million, the money provided by IDA credit, which will be repaid by the government. And because the project is implemented on a BOOT model, i.e., Build-Own-Operate-Transfer, the ordinary citizens of Solomon Islands will meet the debt repayment plus interests for the next 40 years through consumer charges on energy services provided by the private investor to the public. In other words, this public-private sector partnership arrangement, not only helps Solomon Islands prevent the atmosphere from absorbing 2.48 million CO2 eq over the next 50 years, but its citizens also pay for doing so, not the industrialized countries as has been propagated.

Furthermore, this public-private co-financing arrangement allows GCF to favor countries that have the finance over countries that don’t, thus self-defeating its noble aim of prioritizing the poor and most vulnerable countries. For instance, Indonesia was given US$160 million grant, the largest grant given to a single country by the GCF, for a loan of USD325 million from the World Bank to develop its state-owned geothermal project. However, Ethiopia, the third-poorest country in the world, “struggled to gain approval for a US$45 million grant to build resilience among its most vulnerable communities through measures such as improving basic access to food and water”. In fact, “the board of the Green Climate Fund initially did not agree to Ethiopia’s original proposal asking for a US$99.6m grant, citing lack of co-finance as one critical element. The proposal was eventually approved after the Ethiopian government put forward US$5m in co-finance and reduced the grant request by more than half”.

Finally, channeling funds through external accredited entities is justified for several reasons, including preventing corruption and fraud. However, it defeats the whole notion of directly building national capacities of developing countries to meet their development goals and sustain them. Instead, it is the external accredited entities that expand and their capacity enhanced, not the recipient countries.

**Climate Change is it a Wealth Redistribution Scheme?**

Consider this astounding statement by Ottmar Edenhofer, an official at the UN’s Inter-Governmental Panel on Climate Change (IPCC), who is also a former co-chair of the IPCC Working Group III and lead author of the IPCC’s Fourth Assessment Report released in 2007. His report concluded: “One must say clearly that we redistribute de facto the world’s wealth by climate policy…..One has to free one’s self from the illusion that international climate policy is environmental policy….The climate summit in Cancun at the end of the month is not a climate conference, but one of the largest economic conferences since the Second World War”.

Critics in developed countries have often criticize the global climate change fund mechanisms as wealth redistribution schemes for elites, from rich countries to poor countries. Edenhofer’s report above may have confirmed this viewpoint.

When you consider how both AF and GCF were designed, i.e. money flowing from mostly developed countries and into the clearinghouses (AF and GCF) and then redistributed to developing countries, it fits the bill.

Some may view this process as morally justified. Others have a different take on it. This is because while taxpayers from developed nations appreciate the fact that their tax dollar goes to saving the lives of poor and vulnerable people in developing nations, critics argue that developed countries also have sectors in their population that are riddled with poverty and experience the same climate problems and poor conditions as those in developing countries but are neglected by their own governments. This argument usually leads to resistance and protest movement that challenges political leadership to look inward rather than outward in their policies and budget commitment. It gives rise to nationalist sentiments, which spread to many countries.

In fact, this notion of wealth redistribution has led the Trump administration to withdraw US from the Paris Accord, leaving a big hole in funding gap to the GCF at the moment.

**Corruption of Climate Science**

Science is a search for truth and it should remain that way. It should be independent from politics and certain ideological worldviews. However, more often than not, climate science is being corrupted for political purposes.

In his State of the Union address to the United States Congress in 2014, former President Obama declared, “the debate over climate change is settled. Climate change is a fact”. Of course, he was right about climate change is a fact. But is the debate over? Well, if you consider science is decided by a democratic voting process than the debate is over because there is a claim of 97% consensus by scientists on climate change.

But the issue is not whether climate change happens or not. Of course, it happens. It is commonsense. However, the main issue of debate is who or what causes it. Two opposing views are at play here. One view says global warming and climate change are man-made, the other view is that natural elements other than man is the main cause.

Both views recognized that climate change is real. Both also acknowledge that man’s activity contributed to climate change, but to what extent or how much of man’s activity causes global warming and climate change is still a thorny issue of debate. It is not settled.

For instance, according to the National Center for Policy Analysis, man-made CO2 makes up 3.5% (or 0.04%) of GHG in the atmosphere each year. The rest is natural. Water vapor makes up 95% of all GHG in the atmosphere and GHG only make up 2% of the atmosphere. So, is man-made CO2 drives global warming? Why do we focus our effort on CO2? It is the central questions that scientists in both camps will probably fight over for the rest of their lives because all of them can look at the same data and come up with totally different conclusions.

The United States politics demonstrates these two opposing views perfectly when the US signed and later withdrew from Paris Accord.

Barack Obama held the view that the majority of climate scientists believe in-that: global warming is caused by man, and signed the Paris Accord, while on the other hand, the current President, Donald Trump, believes that global warming and climate change is not entirely caused by man, so he withdrew from it.

Furthermore, due to some hidden motives and pressure to achieve quick results, climate scientists normally resort to dishonest practices as Stephen Schneider, professor of Biology at Stanford University,
admitted. Quoted in Discover magazine in 1989, he said, “We have to offer up scary scenarios, make simplified, dramatic statements, and make little mention of any doubts we might have. Each of us has to decide what the right balance is between being effective and being honest.”

This is exactly the kind of thought process that Freeman Dyson, a British Professor emeritus, pointed out in his foreword to the GWPF report Carbon Dioxide: The Good News by Indur Goklany, when he said, “The people who are supposed to be experts and who claim to understand the science are precisely the people who are blind to the evidence. I hope that a few of them will make the effort to examine the evidence in detail and see how it contradicts the prevailing dogma, but I know that the majority will remain blind. That is to me the central mystery of climate science. It is not a scientific mystery but a human mystery. How does it happen that a whole generation of scientific experts is blind to obvious facts?”

The ‘Climategate’ scandal in 2009 leaked emails of IPCC climate scientists has made many honest scientists to rethink their position on man-made climate change hypothesis.

Understanding the Central Tenets of Climate Change Debate

Before I dwell on a couple of policy actions which have the potential of derailing the legitimate climate challenges facing small, poor and vulnerable developing countries, we must first understand the central tenets of global warming and climate change.

All the complex arguments about global warming and climate change can be best summed up in just four central tenets:

1. the Earth’s surface temperature is rising because of human activities, particularly industrial production and personal consumption;
2. weather extremes we are now experiencing are more destructive than in the past because of the warming effect;
3. if this trend is not stopped, the planet will soon be unable to sustain human life as we have known it; and
4. the solution is government management of all human activity.

In other words, when it comes to confronting the effects of global warming and climate change, the problem child is YOU. How do we know that? Well, this quote in 1991 from The First Global Revolution of the Council of the Club of Rome, says something rather revealing:

“In searching for a new enemy to unite us, we came up with the idea that pollution, the threat of global warming, water shortages, famine and the like would fit the bill….All these dangers are cause by human intervention….The real enemy, then, is humanity itself”

That quote is scientifically supported by the 2018 Special Report of the IPCC, a UN body responsible for assessing the science related to climate, which stated in its summary the following:

“Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels, with a likely range of 0.8°C to 1.2°C. Global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate. (high confidence)”

So how do we (humans) endanger ourselves? Maurice Strong, the first executive director of UNEP and former secretary-general of UNCED answered that question for us. Quoted in UNCED report issued in August 1991, Strong wrote: “It is clear that current lifestyles consumption patterns of the affluent middle-class…. involving high meat intake, consumption of large amount of frozen and ‘convenience’ foods, ownership of motor vehicles, numerous electric household appliances, home and workplace air-conditioning…expensive suburban housing…are not sustainable.”

Policy Actions that have the Counterproductive Effect on Poor and Vulnerable People

- Carbon or green taxes

Because CO2 is the main by product of fossil fuel it's easy to target it directly by imposing carbon tax on fossil fuel corporations. But is this really the right course of action to deal with the problem?

When a government imposes high taxes on oil giants, people are told that it's a moral responsibility for them to pay in order to protect the environment. But what people are normally not told is the fact that at the end of the day it's the poor and ordinary people who will ultimately pay for the carbon taxes imposed by the government. The Oil giants basically pass on the cost to the consumers.

That is what happened in France in the recent past when the government of President Emmanuel Macron announced a fuel tax hike as “necessary to protect the environment”. However, his policy action led to increased fuel cost by 20% at the pump, which triggered massive uproar from the public and eventually led to the protest
movement known as gilets jaunes (yellow vest). Whatever the political dynamics that plays into this protest movement, the important thing to examine is its trigger point. The protest movement started off because ordinary people feel the brunt of increasing fuel cost which threatens their survival, some of whom already live in poverty level. They feel that the wealthy people and elite leaders are not affected by this tax increase and ordinary people are picking up the cost.

The ‘yellow vest’ movement in France shows us that the consequence of imposing carbon taxes or any other green taxes that raise the cost of living will certainly receive backlash from ordinary people, which also affect the ability of governments to meet their global financial obligation to the climate funds. Of course, it doesn’t mean that the ordinary people are not concerned about the environment, quite the contrary. But when they consider their immediate priorities, survival comes first.

In the US prior to the 2016 presidential election, one of the key decisive factors for voters was economy-less tax and more jobs. Thousands of people who lost their jobs and businesses to Obama era tough environmental protection regulations and high taxes in the US heartland voted for Trump who promised them to get rid of restrictive environmental regulations and revive coal and steel industry that thousands of people rely on for their survival. The consequence of Trump’s election is a disaster for GCF, which is not paid the outstanding US$ 2billion due to shift in US environmental policy.

• Scare tactic

Scare tactic is not the right way to address legitimate climate problems. It poses negative repercussion, not to the scaremongers, but to the poor and vulnerable countries that are severely affected by climate disasters. The doomsday predictions by some scientists, activists and politicians that failed to come true raise credibility problems for countries that are truly devastated by climate disasters.

Predictions such as ‘imminent planetary catastrophe’ or ‘end of the world’ are not new. For instance, in 2006 former US Vice President, Al Gore, famously predicted in his “documentary” An Inconvenient Truth, a 20-foot sea-level rise in the “near future” owing to ice melt from Greenland and Antarctica and as a result the state of Florida could be under water. Thirteen years on the state of Florida is still not under water.

Then the former head of the UN’s Intergovernmental Panel on Climate Change, Rajendra Pachauri, warned the world in 2007 that, “If there’s no action before 2012, that’s too late.” Seven years after that deadline, mankind still exists.

And because these catastrophic predictions did not meet their deadline, new dates are set for the end of the world, as freshman congresswoman in the United States Congress, Alexandria Ocasio-Cortez, warned that the world will end in 12 years to promote her Green New Deal.

The scary picture depicted by the most revered Swedish teen environmental activist, Greta Thunberg, and the rampage caused by Extinction Rebellion in UK streets and other countries do not help the cause of small, poor and vulnerable countries to fight the effects of climate change. Instead, they only help to centralize governmental power to legislate all aspects of human lives, which could lead to loss of individual freedom, a situation poor people would not wish upon middle class citizens or any individual in other countries for that matter.

Redirecting Climate Change Focus, from protecting Mother Earth to protecting Human Lives

I believe that climate change agenda has gone off the rail. It has been highjacked by radicals to the cost of small, poor and vulnerable countries.

Now we must reset it to a right path. That path was neglected by policy makers in Brundtland’s report.

Gro Harlem Brundtland gave a clear direction on how development and environment should be addressed when he stated in the foreword of his Commission’s report that the “links between poverty, inequality, and environmental degradation formed a major theme in our analysis and recommendations. What is needed now is a new era of economic growth - growth that is forceful and at the same time socially and environmentally sustainable”.

There is no doubt economic growth has a proven record of lifting millions of people out of abject poverty. In the case of China for example, persistent economic growth for the past decades has pushed more than 600 million of its people out of poverty to the middle-class level. The next continent that has the potential to industrialize and achieve sustain economic growth to lift millions of people out of abject poverty is Africa. Africa must be given the opportunity to grow and develop all its resources.

Economic growth should not be demonized. When countries become rich, they lift their people out of poverty and at the same time help others. If countries are poor, they cannot help themselves and others. Instead they will rely on external institutions like AF and GCF for their survival.

In addition, countries should be encouraged to invest heavily in new technological innovations that solve climate change problems.
To protect the environment, ideological activism should not take precedent over protecting people’s way of life and freedom. The form of militant environmental activism that forces and coerces people is certain to backfire. There should be a balance approach between protecting the environment and economic development, to ensure that people’s way of living is not unnecessarily made inconvenient and difficult. Patrick Moore (2010), co-founder of Greenpeace, sums up this point in his criticism of Greenpeace: “The truth is Greenpeace and I underwent divergent evolutions. I became a sensible environmentalist; Greenpeace became increasingly senseless as it adopted an agenda that is anti-science, antibusiness, and downright antihuman”.

Finally, small, poor and vulnerable countries should not just rely on global climate funds as their savior. Instead, they should set up their own sovereign climate funds where they put their own money to safeguard their countries in the event of climate disasters.

Further reading

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