

October 19, 2020

Re: An Ambitious and Comprehensive DAC Agenda for Climate Finance



Dear DAC Delegates,

We are writing as CSOs engaged with the DAC CSO Reference Group's Climate Finance Working Group and other interested CSOs¹ to follow up and elaborate on CSO climate finance proposals. These proposals were briefly set out in the Reference Group's comprehensive messages for the November High Level Meeting ([Not Business as Usual](#)). In the spirit of the [DAC-CSO Dialogue Framework](#), we welcome further dialogue on these issues and ways forward in advancing the DAC's work on climate finance.

¹ This letter has been endorsed by 11.11.11, ActionAid International, AidWatch Canada, Alliance Sud (Switzerland), CARE International, Climate Action Network, Europe, CNCD-11.11.11, Coastal Development Partnership (CDP), Bangladesh, Cooperation Canada (formerly the Canadian Council for International Cooperation), Eurodad, IBON International, Oxfam International, SLOGA Slovenian NGO Platform for Development, Global Education and Humanitarian Aid, S.O.S.-CEDIA ONG Angolaise, Spanish Development NGO Platform, and Sri Lanka Nature Group (SLNG)

As noted in the Reference Group's messages, this HLM comes at a critical moment for development cooperation, and no less so for urgent action to address not only the global COVID-19 pandemic but also the climate and ecological emergencies.

The pandemic's impacts are markedly more pronounced for vulnerable populations, accentuated by deeply rooted structural conditions of social injustice, racism, poverty and inequality.

We note that the pandemic and climate change have overlapping root causes and consequences within unsustainable economic and consumption systems. Climate change often has the greatest impacts for those in developing countries who have also contributed the least to cause it. Community livelihoods are undermined; food insecurity is becoming more widespread; gender-based inequalities are exacerbated; millions are displaced; and biodiversity destruction increases the risk of zoonotic diseases such as COVID-19.

The climate crisis may intensify national and global inequalities as the wealthy (countries and people) pay to avoid and adapt to its worst potential impacts, leaving the poorest and most vulnerable populations much more exposed to bear its full consequences, with least developed countries and small island developing states particularly vulnerable.

We all share a global responsibility to maximize our actions to avoid these consequences. In the coming months, the international community must ramp up its response with bold and collective action, which together address pandemic impacts, limit global temperature rise to 1.5°C, restore nature and its diversity, and create more fair and equal societies for all people.

The UNFCCC is the acknowledged framework through which the international community advances global and national commitments that tackle the climate crisis. Nevertheless, the DAC has the opportunity over the next year to make important forward-looking and complementary contributions in support of transformative climate commitments and policies. The DAC CSO Reference Group is proposing that the DAC and its Members consider action in six key areas outlined below, which we believe will make a significant difference in advancing a climate and justice agenda.

The Reference Group has proposed that the DAC HLM outcome should commit DAC Members to

- 1) Work together to establish guidelines for screening all ODA activities for climate/biodiversity harmful activities**, including the exclusion of fossil fuel activities, ensuring just transitions. These Guidelines should focus on advancing the goal to limit warming of the climate system to 1.5°C, building resilience, addressing climate induced loss and damages, and future-proofing development pathways. Guidelines would indicate potential directions for a longer-term goal to reform ODA eligibility criteria accordingly.
- 2) Significantly increase climate finance contributions from 2020-25 and advance negotiations within the UNFCCC to agree on an ambitious framework for new and additional post-2025 climate finance.** DAC members should step up contributions to ensure they deliver the \$100 billion goal in 2020 and

continue to increase contributions annually towards the new goal. From 2025 there should be an ambitious annual goal in excess of US\$100 billion. It should include sub-goals for mitigation, adaptation and additional finance for loss and damage in developing countries, and separate goals for public and mobilized finance, which fully meets the documented needs of developing countries and is gender responsive.

In their own climate finance, DAC Members should ...

- a. **Commit at a minimum, their fair share** of this new global target.
 - b. **Commit to achieving the global goal as additional principal purpose finance**, in relation to their annual ODA available for other purposes.
 - c. **Commit to achieving a 50/50 balance between mitigation and adaptation** in principal purpose (Rio Marker 2) climate finance, with significantly more attention to grant finance than loans, particularly for least developed and fragile states.
 - d. **Commit to provide finance to address loss and damage**, in addition to finance for mitigation and adaptation.
 - e. **Commit to modifying the DAC tracking of climate finance** to separately document DAC Members' loss and damage climate finance.
- 3) Advance fair and inclusive negotiations at the UN for the post-2020 Global Biodiversity Framework, respecting the particular interests of Indigenous Peoples and local communities, and taking account of the lessons of the pandemic.** DAC Members should prioritize development cooperation to reverse the increasing destruction of biodiversity and forests, through unsustainable, renewable, climate mitigation projects such as construction of large dams, fossil fuel and extractive industries which are important drivers for the emergence and spread of zoonotic diseases. DAC Members can support actions that will put the health and well-being of nature, animals and people at its centre, ensure rights and justice, while protecting against future shocks and pandemics.
- 4) Advance a DAC agreement on implementing clear guidelines to shape high quality mobilized private finance for climate action, which focus on tackling inequalities and addressing the needs of small-scale actors.** Clear guidelines should screen eligible finance, which should be published and analyzed alongside the DAC's tracking of its Members' climate finance. In doing so, DAC members should work closely with their Private Finance Instruments and the Multilateral Development Banks. These guidelines should not only ensure climate-harmful activities are not funded, but also focus climate investments on clean infrastructure, renewable energy (decentralized with the support of SMEs and should exclude socially and environmentally harmful projects like large dams), and resilient small-scale agriculture systems. Guidelines should require reporting on a project-by-project basis, explaining causality between public investment and mobilized finance, and attribution of mobilized amounts between governments, including the host government.
- 5) Work with DAC Members to establish transparent and consistent methodologies for accounting for DAC Member climate finance, within the framework of the Paris Rulebook.** The Rulebook still allows for discretion on how climate finance is reported to the UNFCCC. A consistent approach by DAC

Members, particularly in relation to treating significant purpose climate finance (Rio Marker 1), would make an important contribution in determining how much climate finance is being mobilized by each DAC provider, reduce inflation of climate finance accounting, and support a more accurate assessment of delivery on the \$100 billion goal. All ODA financing should strive towards alignment with Paris Agreement goals.

- 6) Work with DAC Member to translate climate policies into programmatic practices for their ODA,** including all sector programming. While DAC Members have climate policies in place, greater attention is needed to translate these policies into programmatic practices across the full ODA portfolio and to work towards climate policy coherence for all government policies and programs. Environmental screening should be used complementarily and to incentivise and prioritise ecosystem-based approaches to adaptation.

The CSO Climate Finance Working Group welcome your feedback on these proposals and how we might collaborate to advance the DAC agenda in climate finance through DAC commitments at the November HLM and in the coming year. We are open to further dialogue with interested Members and the DCD Secretariat at your convenience.

Yours sincerely,
(Members of the CSO Climate Finance Working Group)

11.11.11

ActionAid International

AidWatch Canada

Alliance Sud (Switzerland)

CARE International

Climate Action Network, Europe

CNCD-11.11.11

Coastal Development Partnership (CDP), Bangladesh

Cooperation Canada (formerly the Canadian Council for International Cooperation)

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