

Factsheet Climate Finance & Water for the World

WATER WAKE-UP CALL

POWERED BY

Simavi





Colofon

The factsheet was commissioned to research the financial commitments of the Dutch government towards climate finance, especially focused on WASH and the inclusion of women, girls and local communities. Based on these findings, recommendations towards the Dutch government were formed to ensure the financial climate commitments of the Netherlands are fair, sustainable and inclusive.

- **Writer:** Jorrit Oppewal
- **Published:** 21st of March 2022
- **Copyright:** Simavi
- **Produced by:** The Broker, commissioned by Simavi

**THE
BROKER**
Connecting worlds of knowledge

Simavi
Powerful women, healthy societies.

Factsheet Climate Finance & Water for the World

The negative effects of climate change are increasingly being felt across the globe. Countries of the Global South, which have contributed very little to the greenhouse gas emissions that are causing climate change, are most exposed to the consequences and yet have the least financial resources available to deal with them. The rich countries therefore have a major responsibility to support the rest of the world through climate finance.

This note will explore the current state of climate finance, with a particular focus on water, which is perhaps the most important vector through which climate change effects materialise. The note will start with an overview of the effects of climate change and the estimated financial needs to deal with the consequences. Next, it will discuss the commitment to provide \$100 billion in climate finance for countries of the Global South¹ from 2020 onwards and examine to what extent this has been fulfilled. Finally, the note will take a closer look at the climate finance provided by the Netherlands, particularly for the water sector. The note will end with a concluding section and a set of recommendations to the Dutch government.

MAIN MESSAGE:

The parts of the world that have contributed least to the problem suffer its worst consequences, and are in the most disadvantageous position to deal with them.

KEY FACTS:

The entire African continent is responsible for less than 3% of historic emissions. At the same time, Africa and its populations are suffering the gravest consequences of climate change. While this warrants major investments, only 3% of all global climate-related spending is currently being undertaken in Africa. The financing gap has already risen to tens of billions of dollars per year, and is set to increase further without a serious ramping up of global adaptation finance.

Climate Finance: Estimated Needs

Disruptions to the water cycle, resulting in too much, too little, or polluted water in particular locations at particular times, are among the most severe negative consequences of climate change. If climate change is the shark, we could say that water is its teeth. Water cycle disruptions are not a threat looming on the horizon - in future times or far-off lands; they are being felt today, across the globe. The occurrence of heavy precipitation events has increased by 30%. Droughts that previously occurred once in a decade, now happen 70% more often than before. And this is just the beginning. With 2°C global warming, the frequency of such droughts could increase by up to 140% (Figure 1). Additionally, the number of people at risk of floods is expected to rise from 1.2 billion to 1.6 billion by 2050, while the number of people facing water scarcity could double by 2050².

¹ In this paper, where possible, we opt for using the term 'countries of the Global South', rather than 'developing countries'. When referring to other sources, or to estimates made by other sources that refer to 'developing countries', we do opt for using the terminology of the original source. The two terms can be seen as broadly interchangeable. The \$100 billion commitment on annual climate finance is meant for a specific list of countries, namely the non-Annex I parties to the UNFCCC Convention. The countries on this list are mostly the same as would be understood to fall in the categories of both 'Global South' and 'developing countries', although there are some exceptions.

² Munia, H. et al. 2020. 'Future transboundary water stress and its drivers under climate change: a global study. Earth's Future, Vol. 8 (No.7).



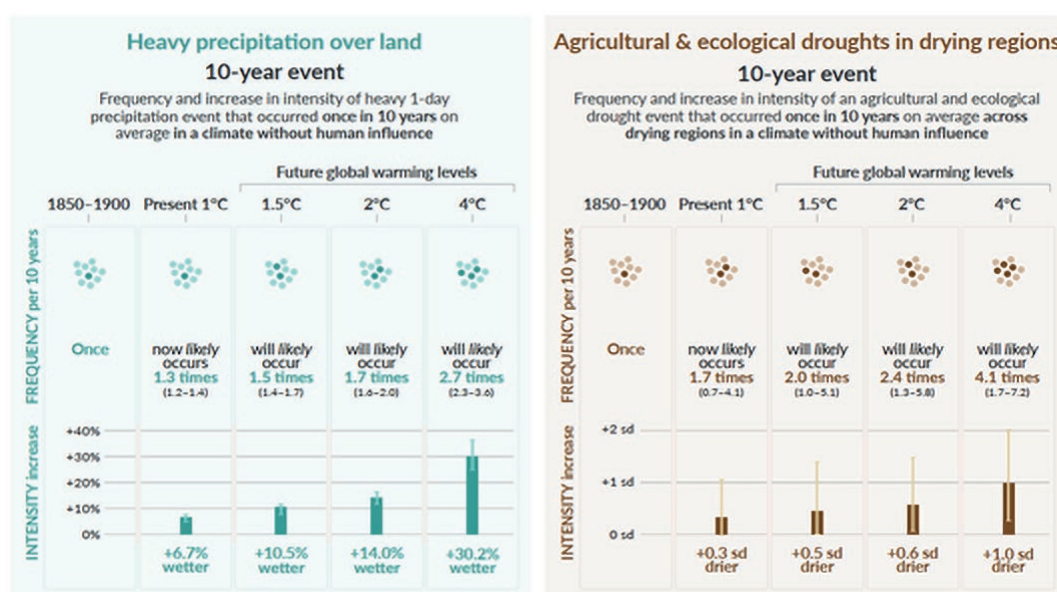
The most recent flagship report of the Intergovernmental Panel on Climate Change (IPCC) confirms that the impacts of climate change are already being felt, and also highlights their geographic concentration:

“Increasing weather and climate extreme events have exposed millions of people to acute food insecurity and reduced water security, with the largest impacts observed in many locations and/or communities in Africa, Asia, Central and South America, Small Islands and the Arctic. Jointly, sudden losses of food production and access to food compounded by decreased diet diversity have increased malnutrition in many communities, especially for Indigenous Peoples, small-scale food producers and low-income households, with children, elderly people and pregnant women particularly impacted.”

Source: IPCC (2022), p.10

In addition to the disproportionate burden put on people living in these areas, such concentration of negative consequences is also likely to fuel competition over water resources and lead to conflict. Finally, besides affecting water cycle volumes, climate change also affects the quality of water. Higher temperatures stimulate the growth of harmful water-based algae and bacteria, thus endangering public health.³

Figure 1. Projected changes in extremes depending on temperature increase



Source: IPCC 2021, p.18

³ OECD 2021b. 'The interlinkages between water security and climate action'. Background paper for Roundtable on Financing Water.

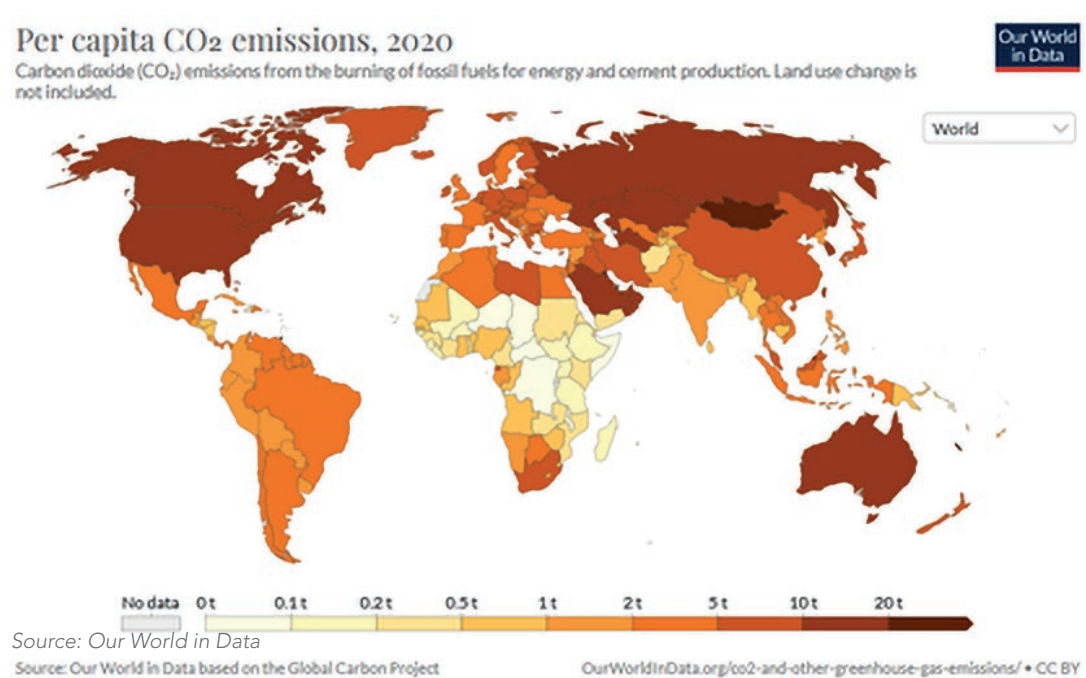


An unequal burden

Climate change is caused by emissions of CO₂ and other greenhouse gases. Today's rich countries are the main culprits, while the contribution of the Global South to historic emissions is negligible. The entire African continent, accounting for 16% of today's global population, is responsible for only 2.9% of historic cumulative CO₂-emissions. The picture becomes even more extreme when we take out the countries of the Maghreb and South Africa. The remaining 48 sub-Saharan African countries, with a joint population of 1.1 billion are responsible for 0.65% of cumulative CO₂-emissions, which is less than that of The Netherlands, at 0.71%.⁴

Major inequalities persist in today's emissions. For instance, the Netherlands' per capita emissions in 2020 were 8.06 tonnes, compared with 1.77 tonnes for India (22% of the Netherlands), and only 0.99 tonnes for the African continent (12% of the Netherlands).

Figure 2. Per capita CO₂ emissions, 2020



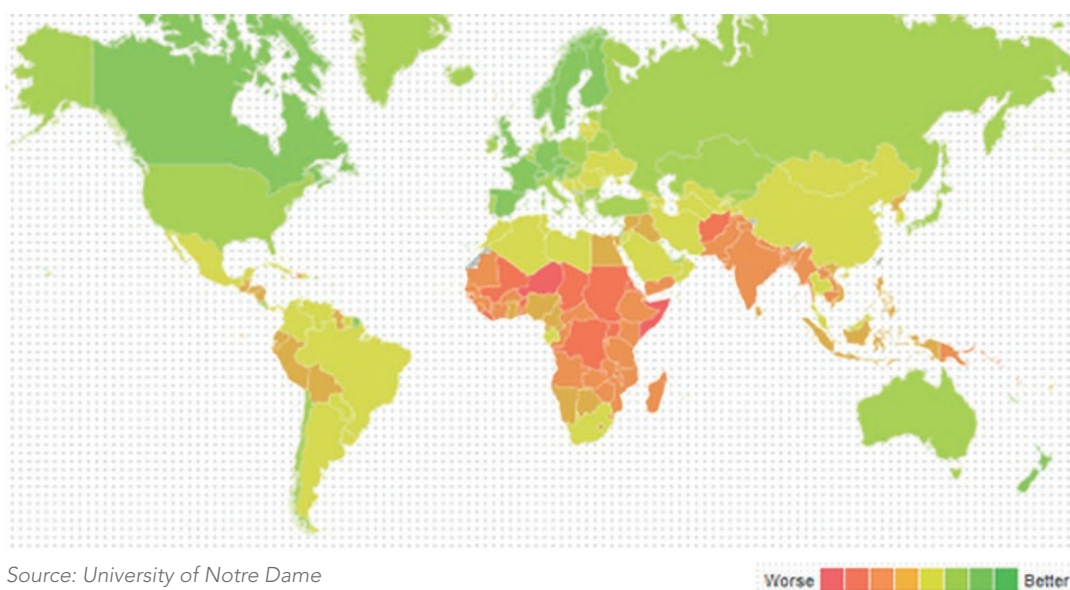
The negative impacts of these emissions and other practices harmful to the climate are not, however, concentrated in the countries that caused them. On the contrary, Low- and Middle-Income Countries (LMICs) bear the brunt of the negative consequences. The University of Notre Dame constructed a global adaptation index, taking into account climate change effects on food, water, health, ecosystems, human habitat and infrastructure. Figure 3 shows that countries in Africa and South Asia, precisely the regions that have contributed least to climate change, are the most vulnerable to its effects. The most recent IPCC report also stresses that vulnerability to climate change is higher in regions with existing development constraints. Furthermore, within geographic regions, vulnerability "is exacerbated by inequity and marginalization linked to gender, ethnicity, low income or combinations thereof, especially for many Indigenous Peoples and local communities".⁵

⁴ Our World in Data.

⁵ IPCC (2022). p.12



Figure 3. Global Adaptation Index (2019)



Source: University of Notre Dame

Again, this uneven impact is not just hypothetical. A recent study shows that the negative impact of climate change on agricultural productivity has already been observed over the past four decades, and that it is much more pronounced in regions that were already warmer to begin with, such as in many African countries (see Figure 4)

Figure 4. Effect of climate change on agricultural total factor productivity, 1961-2015

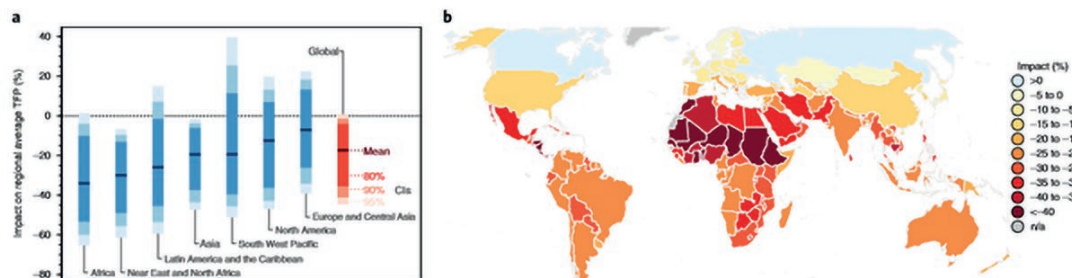


Fig. 5 | Global, regional and country-level impacts of ACC. **a.** Impact estimates for each region reflecting various sources of uncertainty. The coloured bands represent 95%, 90% and 80% confidence intervals (CIs) that reflect climate uncertainty (from GCMs), econometric uncertainty (from the estimation) and specification uncertainty (from the choice of the econometric model) (Methods). **b.** The colour in the map corresponds to the ensemble mean impact for each country based on these three sources of uncertainty.

Source: Ortiz-Bobea et al. (2021)

Taking stock of all the literature, the IPCC (2022) assessed the observed impacts of climate change on human systems in different regions of the world (Figure 5). For Europe, only one thematic area (mental health) is classified as suffering an unambiguously adverse impact that can be attributed to climate change with 'high or very high' confidence. For Africa, five thematic areas fall in this category (agriculture/crop production; infectious diseases; heat/malnutrition and other; displacement; and damages to key economic sectors)⁶

⁶ Ortiz-Bobea, A., T.Ault, C.Carrillo, R.Chambers and D.Lobell. (2021). 'Anthropogenic Climate change has slowed global agricultural productivity growth. Nature Climate Change, Vol. 11, 306-312



Figure 5. Impacts of climate change on human systems

(b) Observed impacts of climate change on human systems

Human systems	Impacts on water scarcity and food production				Impacts on health and wellbeing				Impacts on cities, settlements and infrastructure			
	Water scarcity	Agriculture/crop production	Animal and livestock health and productivity	Fisheries yields and aquaculture production	Infectious diseases	Heat, malnutrition and other	Mental health	Displacement	Inland flooding and associated damages	Flood/storm induced damages in coastal areas	Damages to infrastructure	Damages to key economic sectors
Global	±	–	○	–	–	–	–	–	–	–	–	–
Africa	–	–	–	–	–	–	–	–	–	–	–	–
Asia	±	±	–	–	–	–	–	–	–	–	–	–
Australasia	±	–	±	–	–	–	–	not assessed	–	–	–	–
Central and South America	±	–	±	–	–	–	not assessed	–	–	–	–	–
Europe	±	±	–	±	–	–	–	–	–	–	–	–
North America	±	±	–	±	–	–	–	–	–	–	–	–
Small Islands	–	–	–	–	–	–	–	–	–	–	–	–
Arctic	±	±	–	–	–	–	–	–	–	–	–	±
Cities by the sea	○	○	○	–	○	–	not assessed	–	○	–	–	–
Mediterranean region	–	–	–	–	–	–	not assessed	–	±	–	○	–
Mountain regions	±	±	–	○	–	–	–	–	–	na	–	–

Source: IPCC (2022), p.9

Financial inequality

To add to the unfairness, the countries that contributed least to the problem and suffer the worst of its consequences, also have much less financial capacity to deal with the effects. While rich countries do have the financial means to make the required domestic investments to guarantee a successful transition to green energy and protect their societies against the consequences of climate change, most countries in the Global South do not have that financial capacity. The reason for this, moreover, is strongly linked to centuries of colonialism and unequal exchange, whereby commodities from the Global South were extracted on terms set by the Global North, which then fuelled the industrial capitalism which played a big part in causing today's climate change.

Total annual climate-related spending, all over the world and from all sources, is estimated at \$632bn (average of 2019 and 2020). The geographic distribution of these investments is shockingly unequal. Of all climate-related investments, only 3% is made in sub-Saharan Africa, and 5% in South Asia, while these two regions account for 25% of the global population.⁷

Another striking feature of the total climate-relevant investments is that 90% is aimed at mitigation, such as investments in renewable energy. These investments, which are increasingly attracting profit-seeking private capital, are absolutely crucial to decarbonize energy systems all over the world. Without them, we do not stand any chance at limiting global warming to 1.5°C. Yet, even if we succeed in reaching this goal, investments in adaptation will be needed to deal with the inevitable climate change effects that the world is and will be facing. Adaptation finance, however, is seriously lagging behind compared to mitigation. Whereas mitigation investments generate energy that can then be purchased by households and industries, adaptation investments often lack a profitable business case. This is especially the case for those adaptation investments aimed at protecting vulnerable communities, who usually lack purchasing power, against climate risks. The total annual investment in adaptation worldwide, including in rich countries, is limited to \$46 billion, only 7% of all climate-related investments.⁸

⁷ Climate Policy Initiative 2021. Global Landscape of Climate Finance 2021.

⁸ ibid.



Calculating investment needs

Although estimating total adaptation needs is difficult, it is very clear that current spending is woefully inadequate. Annual adaptation costs in low-resource countries estimated at around \$70 billion today, and are projected to rise to between \$155 and \$330 billion per year by 2030; growing further to \$310-555 billion per year by 2050.⁹ More recent estimates indicate that the need will be on the higher end of these figures.

Looking at the African continent in particular, the gap seems even more pronounced. For the years until 2030, a sub-group of 40 African countries have estimated a combined adaptation need of \$33 billion per year, while total adaptation finance at the moment stands at only \$6.6 billion per year.¹⁰

It is worth pointing out that, especially for poorer countries, it is very difficult to distinguish between adaptation-related investment needs and general needs for development finance. Even without the destructive effects of climate change, countries in the Global South would be in need of significant investments to achieve water security, for instance. To meet the continent's water-needs, the African Development Bank has estimated that \$64 billion will be needed every year, while at most \$20 billion is currently being invested. Thus, climate change further increases the development financing needs of already vulnerable sector.

GLOBAL COMMITMENTS & TRENDS

MAIN MESSAGE:

The commitments that have been made fall far short of what is needed and the rich countries have failed to meet even those.

KEY FACTS:

The rich countries failed to reach their commitment of providing \$100 billion in climate finance per year for the Global South from 2020 onwards. They barely reached \$80 billion in 2019, even with the use of creative accounting and other techniques to artificially inflate and overstate the numbers, such as counting the full face-value of loans for large infrastructure projects with a marginal link to fighting or adapting to climate change. Finance for adaptation has lagged significantly, at around \$20 billion, which is a fraction of what is needed.

Under the 2015 Paris Agreement rich countries committed to providing \$100 billion in annual climate finance for poorer countries from 2020 onwards, an amount that was originally established at the 2009 Copenhagen summit. In the meantime, our knowledge of current and future impacts of climate change has advanced and it is clear, as shown above, that the required amount of climate finance is much higher than previously assumed. Rich countries have failed, however, to meet even the \$100 billion target. As shown in Figure 6, total climate finance reached \$79.6 billion in 2019. This is only 2% more than in 2018 and, although the final numbers for 2020 are not yet available, it is clear that the \$100 billion target was missed by a very significant margin.

Looking at the composition, climate finance for poorer countries is, just like overall climate-related spending, clearly dominated by mitigation, with a share of 64%.¹¹ Only 25% was directed towards adaptation, while 11% was cross-cutting. Although finance for adaptation appears to have grown substantially, doubling since 2016, it started from such a low base that extrapolating the current growth trend would not take us near the required amounts.

⁹ UNEP 2021. Adaptation Gap Report 2021: The Gathering Storm – Adapting to climate change in a post-pandemic world.

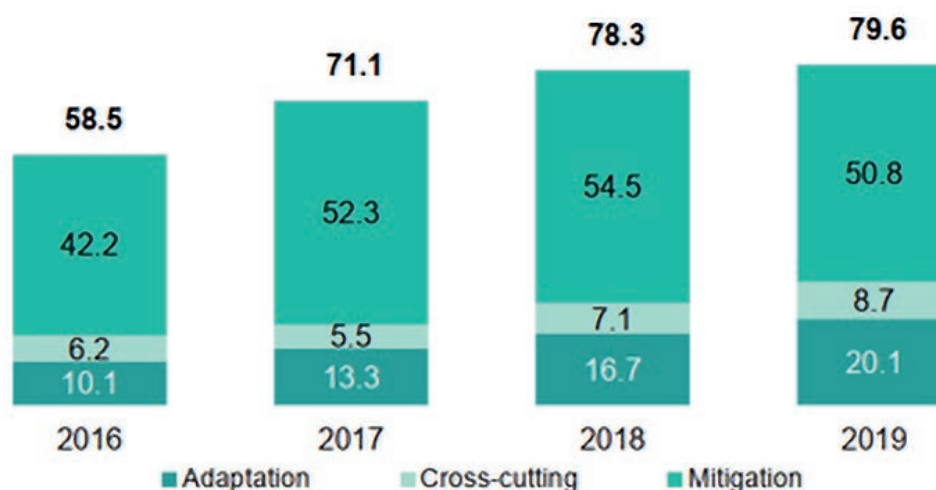
¹⁰ Global Commission on Adaptation (2021). State and Trends in Adaptation Report 2021. How adaptation can make Africa safer, greener and more prosperous in a warming world. p.29.

¹¹ OECD 2021a. Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends updated with 2019 data.



The COP-26 agreement urges rich countries to double their adaptation finance by 2025.¹² However, even today estimated adaptation needs in developing countries are 5 to 10 times greater than current public adaptation finance flows. Doubling the amount by 2025, to approximately \$40 billion per year, is barely enough to prevent the gap from widening even further. It is vital to ensure that the required additional resources for adaptation come from an increase in overall climate finance, not from existing resources for mitigation.

Figure 6. Climate Finance Provided and Mobilised for mitigation and adaptation



Source: OECD 2021a, p.7

Furthermore, looking at the underlying numbers in more depth reveals various ways in which officially reported adaptation finance has been overstated.

Type. Of the \$79.6 billion of 2019, 36% was public bilateral finance, 43% public multilateral, and 21% mobilised private finance (Figure 7). It is important to stress that this distinction between public and private refers to the source of the finance, not its recipient. A significant share of public finance goes to the private sector, for instance in the form of subsidies or contracts in programmes on Aid for Trade, or through public-private partnerships. The category 'mobilised private' finance in Figure 7 refers to investments made by the private sector, but only to those investments that were mobilised using public resources, such as guarantees or public co-financing. In theory, the 'mobilised private' category refers to additional finance, meaning that these investments would not have come about without the commitment of public resources.

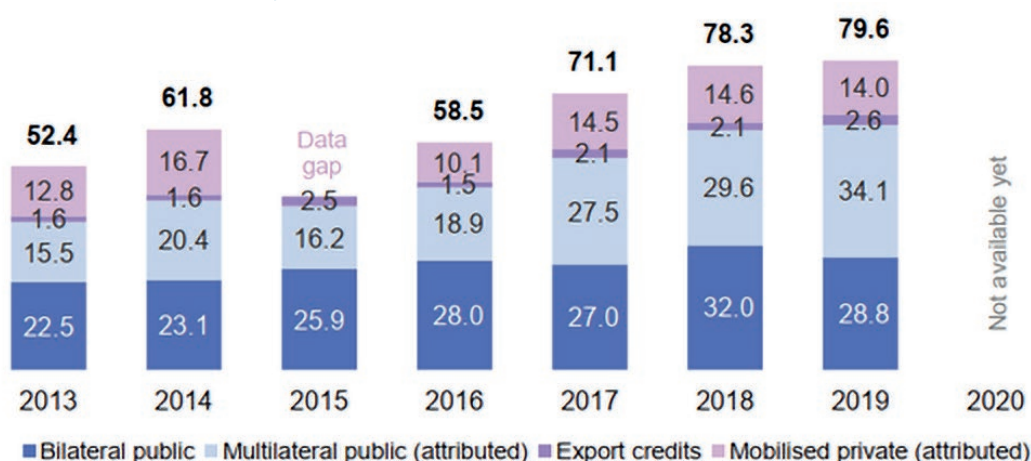
The weight of the public bilateral category has reduced, from 43% in 2013 to 36% in 2019. Total bilateral public climate finance even reduced in absolute terms between 2018 and 2019, which is worrying, given that it is this type of finance that is most likely to go to low-income-countries, and to adaptation. Despite all the promises of unlocking private finance, it is perhaps surprising that, at a global level, the share of mobilised private capital in official climate finance has hardly increased at all.

Of the total public climate finance of \$62.9 billion, only \$16.7 billion consisted of grants, equivalent to just 27%. Loans are the dominating category, accounting for 71% of public climate finance. Grants are essentially gifts that do not need to be repaid at all, while loans need to be repaid, at least in part. When international development agencies provide loans, they often do so on concessional terms, meaning that the loans involved come with better terms for the receiving party than market-based loans. For instance, the development agency could provide guarantees or resources in order to lower the interest rate, or extend the grace period. For such concessional loans, one can calculate the grant equivalent, which puts a monetary value to these improved terms and conditions, from the perspective of the borrower.

¹² <https://www.unep.org/news-and-stories/story/what-does-cop26-mean-adaptation>.



Figure 7. Climate Finance Provided and Mobilised



Source: OECD 2021a, p.6

In terms of reporting climate finance, it makes sense to count both direct grants and the grant equivalent of any relevant loans that were provided. That is not, however, what happens in practice. Many countries simply include the full face value of the loans they provide, some of which are not even concessional at all.¹³ This leads to a major overstatement of the resources that are truly made available for poorer countries, as part of the reported finance will need to be repaid, with interest. Furthermore, this type of climate finance adds to the already worsening debt burden of many countries in the Global South.

Principal vs Significant Objective.

There is no consistently applied framework for determining to what extent a particular project or investment can be counted as climate finance. Some countries, like the United Kingdom, try to determine for each particular investment what precise share is directed at mitigating or adapting to climate change. Other countries use the so-called Rio Markers. If adaptation or mitigation is the principal objective of the project (Rio Marker 2), then its full value is counted as climate finance. If adaptation or mitigation is a significant, but secondary, objective (Rio Marker 1), then only a certain share of the value is counted. The applied percentages differ, but generally range from 30-50%, with the Netherlands using 40%. Other countries, most notably Japan, do not make any effort to make such distinctions. Then, the full value of every project that is deemed in any way related to climate change is counted as climate finance. CARE has shown that Japan, in its officially reported climate finance over 2013-14, included the full value of regular infrastructure loans for highways and bridges in Vietnam, even when the link with climate objectives was very limited. Based on more recently submitted climate finance reports, it seems that Japan has continued this practice. In 2018, for example, it reported \$10.8 billion in public climate finance, 56% of which was spent on only 6 loans for transport related investments in India, Indonesia, Bangladesh and the Philippines.¹⁴ Together, these 6 loans, whose contribution to climate mitigation or adaptation is debatable, represented a staggering 10% of the combined public climate finance from all rich countries for that year.

Sector destinations.

The top receiving sector of climate finance has been energy (30%), which is not surprising given the dominance of mitigation-related finance. What is more surprising is that 'transport and storage' accounts for 14% of climate finance, which is almost double the share that is directed towards water and sanitation (8%).¹⁵ Part of the reason is that transport infrastructure generally has a stronger business case, for instance through toll roads, than water and sanitation infrastructure, where cost-recovering billing systems are rare. As a result, transport infrastructure attracts more private capital, and also more loan-based financing from public development actors, as is clearly the case for Japan.

¹³ CARE 2021. Climate adaptation finance: fact or fiction?

¹⁴ Based on Fourth Biennial Report (common tabular format) submitted by Japan to UNFCCC on 1 oct 2020.

¹⁵ OECD 2021a. Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends updated with 2019 data.



A closer look at The Netherlands: Commitments & Trends

MAIN MESSAGE:

Although the Netherlands claims to have delivered its fair share, there are many problematic aspects to this claim

KEY FACTS:

The Netherlands reported close to EUR 1.2 billion in climate finance in 2020, which is less than its fair share, even based on the ministry's own formula for calculating it. Furthermore, more than 50% of recently reported Dutch climate finance relates to mobilised private finance, which is completely disproportionate when compared with other countries. Accurately estimating mobilised private finance is not straightforward, and the reported figure for the Netherlands could be an overstatement. Even if it is correct, the high share of private finance is problematic, as it is more likely to go to mitigation in middle-income countries, bypassing the most vulnerable countries and communities.

Dutch public climate finance (around EUR 600 million per year) is part of the regular development budget, meaning it is not in addition to pre-existing development commitments. On the upside, Dutch public climate finance largely consists of grants rather than loans, and a comparatively large share is directed at low-income countries. There is much scope, however, to strengthen the focus on defined target groups, such as women and poor communities. With regards to water and sanitation, this sector accounts for some 10% of public climate finance. Since 2012, most water-related climate finance has gone to UN agencies (26.2%) or public-private partnerships (21.1%), while only 11.4% was channelled through International NGOs, and 4.6% through local NGOs.

Unfortunately, the \$100 billion commitment of the Paris Agreement was not accompanied by a clear division of responsibilities between different countries. This makes it difficult to hold individual countries to account.

The case of the Netherlands provides a good indication of this difficulty. In the Dutch debate on climate finance, civil society organisations and Members of Parliament often refer to a tentative fair share of EUR 1.25 billion. Even though the government has never officially acknowledged this as its fair share, it does continue to provide some anchor in the debate.

The Ministry claims that the number - 1.25 billion - first appeared in a letter from the Court of Auditors.¹⁶ The Court of Auditors, on the other hand, claims that it was the ministry itself that came up with the number.¹⁷ Indeed, the letter from the Court of Auditors to parliament, from December 2012, states that the original calculation was made by civil servants at the ministry. The calculation is that the EU would take on 33% of the \$100 billion, and that the Netherlands would be responsible for 4.8% of that, leading to a fair share of \$1.58 billion, which was the equivalent of EUR 1.25 billion at the time, but amounts to some EUR 1.39 billion at 2022 exchange rates.¹⁸

ODI (2021) recently carried out interesting fair share calculations, taking into account gross national income, cumulative emissions between 1990 and 2019, and population size. The Netherlands accounts for 2.0% of the combined GNI of the rich countries, for 1.5% of the emissions since 1990, and for 1.8% of the combined population. Based on these data, ODI calculated the fair share of climate finance for the Netherlands as \$1.78 billion (approximately EUR 1.56 billion).¹⁹

¹⁶ Rijksoverheid (2019). Schriftelijke antwoorden op vragen gesteld in de eerste termijn van de behandeling van het wetsvoorstel Vaststelling van de begrotingsstaat van Buitenlands Handel en Ontwikkelingssamenwerking (XVII) voor het jaar 2020 (35300-XVII), p.8. <https://zoek.officielebekendmakingen.nl/blg-922534>.

¹⁷ Algemene Rekenkamer 2020. Resultaten verantwoordingsonderzoek 2018: Buitenlandse Handel en Ontwikkelingssamenwerking (XVII), Rapport bij het Jaarverslag, p.21

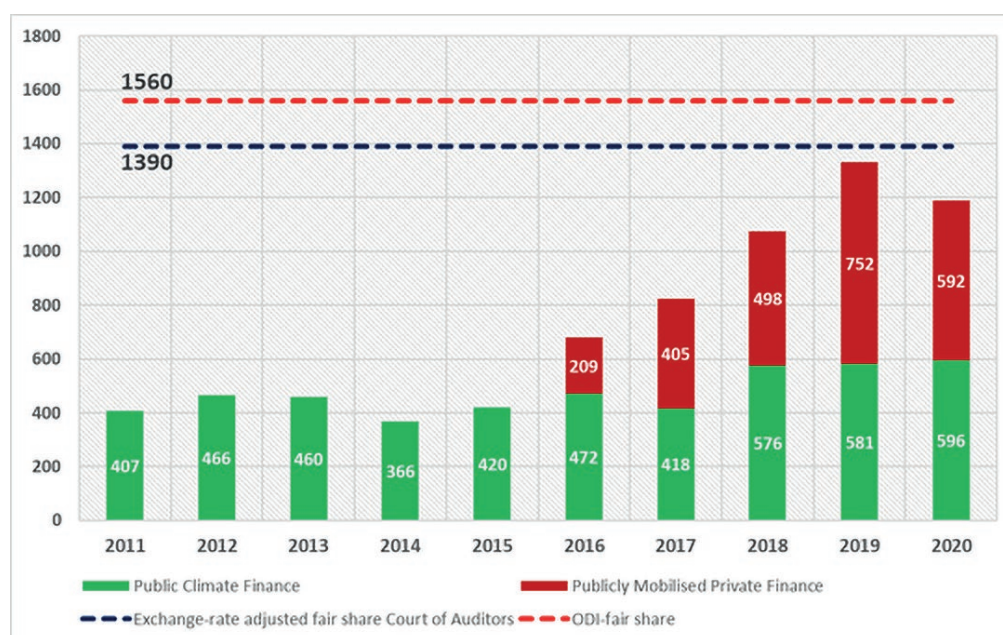
¹⁸ <https://www.rekenkamer.nl/publicaties/kamerstukken/2012/12/11/onderzoek-budgettaire-gevolgen-van-de-beleidsvoornemens-over-internationaal-klimaatbeleid-en-internationale-veiligheid-voor-ontwikkelingssamenwerking>

¹⁹ ODI 2021. A Fair Share of Climate Finance? Apportioning responsibility for the \$100 billion climate finance goal.



Although the Dutch government claims to have delivered its fair share of the \$100 billion for developing countries, Figure 8 shows that this can be contested. Dutch climate finance amounted to EUR 1.19 billion in 2020, which is 14% below the exchange rate-adjusted fair share that was originally mentioned by the Court of Auditors, and 24% below the ODI-calculated fair share

Figure 8. Netherlands Climate Finance, 2011-20 (EUR millions)



Source: authors, based on Dutch budget documents (HGIS Annual Reports)

A very private affair

Figure 8 also shows the division between public and mobilised private finance. The Netherlands is an extreme outlier in this respect. While, globally, mobilised private finance represented 17.6% of officially reported climate finance in 2019, for the Netherlands this was more than 56%. This is much higher than for other rich European countries, such as Germany (6%), Switzerland (14%), Sweden (21%) and France (26%).²⁰

Over 2019, the Netherlands accounted for 5.4% of all publicly mobilised private climate finance in the world. This raises suspicions about the way in which the Netherlands calculates its mobilised private finance, pointing at possible overestimation, as it seems unlikely that the Netherlands would have mobilised twice as much climate-relevant private investment as Germany did, in absolute terms.²¹

This picture is problematic, for three reasons. Firstly, it suggests that mobilised climate-relevant private capital could be lower than reported, which would mean that the Netherlands is falling short of its fair share even more than suggested on the basis of the official data illustrated in Figure 7.

Secondly, the disproportionately high share of private finance undermines the extent to which the most vulnerable countries and communities are supported. According to the OECD, up to 93% of mobilised private climate finance is directed at mitigation, only 3% is fully aimed at adaptation, with 4% going to the cross-cutting category.²² Unfortunately, on the basis of the data

²⁰ Vollebergh, H. et al. (2020). Delivering on Climate Finance in selected EU countries. Scientific paper for Dutch parliamentary commission on Foreign Trade and Development.

²¹ Such suspicions appear to be confirmed by considering the leverage ratios, which indicate how much private capital each euro of public investment managed to mobilise. Vollebergh et al. (2020) report a leverage ratio of 134% for the Netherlands, more than double the ratio of the next best performer, the United Kingdom (65%).

²² OECD 2020. Climate Finance Provided and Mobilised by Developed Countries in 2013-18.



currently published by the Dutch government, it is impossible to tell how Dutch private climate finance is divided between different goals (mitigation or adaptation) and different sectors, such as water. Vollebergh et al. (2020) report that, in the data supplied to the OECD, the Netherlands categorises 82% of private finance in the sector 'unspecified'. They also report that, in 2018, 26% of the Dutch private climate finance went to countries in Europe, which appears to confirm the worry that the countries most in need are underserved.

Finally, the large amount of publicly mobilised private capital raises concerns regarding true additionality. Publicly mobilised private investments are said to be additional if they would not have come about without any public intervention; if the market left to its own devices would not have financed them. In the case of the Netherlands, private capital appears so easily mobilised that it raises the question whether the public resources employed were necessary. If these private investment would have happened even without public support, then they are not additional. This would also mean that the public resources that were allocated were essentially captured by the private sector, and could have been put to much better use elsewhere.

The public share: no true additionality in sight

Additionality is also an important concept in relation to public climate finance. The Paris Agreement stated that the \$100 billion should be new and additional finance. Unfortunately, these terms were not clearly defined, providing room for different interpretations. Most countries in the Global South and civil society organisations understood this to mean that the \$100 billion would come on top of regular development aid (ODA), for which a pledge had already been made to allocate at least 0.7% of Gross National Income (GNI). Rich country government, including the Netherlands, have been playing word games, however, rejecting this interpretation. The Netherlands considers any new project that did not exist prior to the Paris Agreement as additional to its pre-existing spending, thus counting it as new and additional finance. Yes, as the Dutch ODA-share of Gross National Income (GNI) does not even reach the agreed-upon 0.7% (falling from around 0.65% in the mid 2010s to a low of 0.53% in 2021), it is a dubious claim to make that new climate-focused projects are truly additional to pre-existing commitments on development finance.²³

Returning to Figure 8, it is remarkable that the total Dutch public climate finance has only grown by 50% over the past decade. Further, public climate finance as a share of total ODA has hardly increased at all, going from 10.9% in 2013 to 12.6% in 2020. This too is surprising, as our knowledge of the severe impacts of climate change has increased substantially in the meantime. Moreover, the Rio Marker framework implies that climate considerations should be incorporated in projects in other thematic areas, which would automatically result in higher public climate finance. After all, if climate change mitigation or adaptation is a secondary objective, the Netherlands counts 40% of the project's total value as public climate finance.

Out of the EUR 596 million of public climate finance reported for 2020, only EUR 234 million (39%) derived from activities that have climate as their principal objective (Rio Marker 2). This leaves EUR 362 million for activities with climate as a significant (but secondary) objective. Assuming that these activities were, on average, counted for 40% of their value, they would be related to activities worth a total of EUR 905 million. This prominence of activities with climate as a secondary objective raises questions on the amount of genuine climate finance. It appears that the growth of Dutch 'climate finance' primarily reflects that climate considerations are being increasingly mainstreamed in various activities. Although climate mainstreaming is important, it is worrying that financial flows fully aimed at supporting poor countries in dealing with climate change are lagging behind. That said, a positive aspect of Dutch bilateral public climate finance is that it consists entirely of grants, in contrast to France and Germany, where loans form a significant or even dominant part.²⁴

²³ Throughout the 2000s the Netherlands allocated 0.8% of GNI to ODA, on the basis of the agreed 0.7% plus 0.1% for environment-related support, originating in the Rio Earth Summit. Thus, before any real commitments were made, the Netherlands in fact provided climate finance additional to development spending. Ironically, from around 2009, which is when the pledge of \$100 billion of new and additional annual climate finance was first made at the COP in Copenhagen, the Netherlands' relative ODA-spending has consistently declined, and genuine additionality of climate finance has never been in sight again.

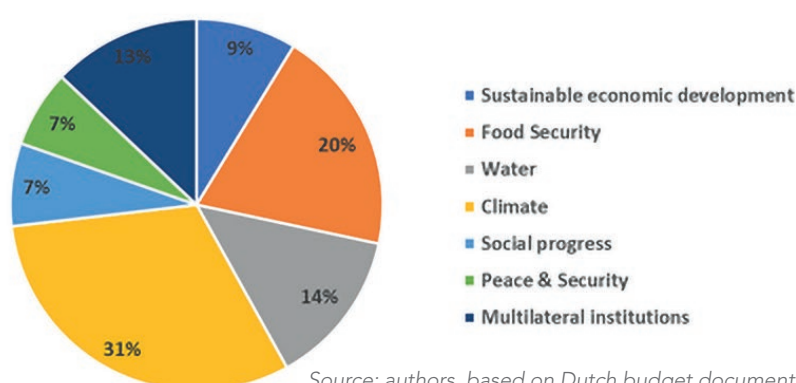
²⁴ Vollebergh et al (2020).



Sectoral distribution and a deep-dive in water-finance

A comparatively high share of Dutch public climate finance goes to adaptation, reaching EUR 257 million in 2020, or 43%. Another 24% is explicitly aimed at mitigation, while for 33% it was not specified whether mitigation or adaptation was the main objective. Vollebergh et al. (2020) stress that the share going to adaptation is higher than for other European countries.^{25 26} Figure 9 shows the distribution of Dutch public climate finance in 2020 by sector, illustrating that water-related projects received 14%, worth EUR 18 million. Total spending under budget article 2.2 (Water) that year was EUR 196 million, meaning that 41% of total water-spending was counted as climate finance. Given the fact that at least some projects in this budget article have climate as their principal objective, counting for 100%, it seems that there are also activities in the water-sector that do not count towards climate finance at all.

Figure 9. Netherlands Public Climate Finance by Sector (2020)



On the basis of the data published in Dutch government budget documents for 2020, we cannot analyse water-related climate finance in more detail.²⁷ Going back to 2018, however, we can find more information in the Biennial Report data submitted to UNFCCC. In that year, a total of 60 different activities on water and sanitation contributed to public climate finance, for a total of EUR 56.9 million. Table 1 lists the 5 largest water and sanitation activities contributing to climate finance, together accounting for 41% of the total WASH-related public climate finance in that year.

Table 1. Largest WASH-project-related expenditures contributing to Dutch public climate finance in 2018

Project	Location	Implementing Org	Total spending in 2018 (EUR)	Rio Marker	Reported climate finance in 2018; vaule (EUR)
UNICEF Partnership Accelerating WASH for all in West and Central Africa	West & Central Africa	UNICEF	15,735,522	1 (significant)	6,294,209
NL WASH SDG Programme	Global	Simavi	12,964,687	1 (significant)	5,185,875
Sustainable Water Fund I	Global	RVO	10,352,906	1 (significant)	4,141,164
DME A4a PPP Innovation Programme	Global	Aqua for All PPP	9,370,008	1 (significant)	3,748,003
JBA PROWAS SSN LAKES	Global	Euroconsult Mott MacDonald	9,321,940	1 (significant)	3,728,776

Source: authors, based on The Netherlands 2020 Biennial Report to UNFCCC

²⁵ Rijksoverheid (2021). Homogene Groep Internationale Samenwerking (HGIS) Jaarverslag 2020, p.48.

²⁶ IOB (2021) reports higher shares allocated to adaptation, of 69% (p.x), and 53-56% (p.52). Vollebergh et al. (2020), on the other hand, report a lower share (32%). Here we stick to the numbers reported in the ministry's annual HGIS-reports.

²⁷ Rijksoverheid (2021). Homogene Groep Internationale Samenwerking (HGIS) Jaarverslag 2020, p.48.



Yet more details can be found in the OECD-managed Climate-Relevant-Development-Finance (CRDF) Database, which lists all climate-relevant projects over 2012-19 with further details on sub-sectors, and also including information on the applied Rio Markers.²⁸

In the period 2012-19 the total value of Dutch climate-relevant development finance in the WASH sector, on the basis of the CRDF database, is EUR 1.37 billion. Table 2 shows the distribution between the 5 listed sub-sectors, indicating that 41% went to basic drinking water supply and basic sanitation.

Table 2. Netherlands climate-relevant WASH projects 2012-19 by sub-sector

Sub-sector	Value (millions of Euros)	Percentage
Basic drinking water supply and basic sanitation	555	41%
Education and training in water supply and sanitation	51	4%
River basins development	79	6%
Water resources conservation (including data collection)	88	6%
Water sector policy and administrative management	395	29%
Water supply and sanitation - large systems	199	15%
Total	1367	100%

Source: authors, based on OECD Climate-Relevant-Development-Finance (CRDF) database

The CRDF-database also lists the geographic destination of development activities. For the climate-relevant WASH projects, however, 43% of the total value went to projects for which this variable was 'unspecified', often indicating a multi-country project with global reach. Of the projects with a specified geography, 26% of their combined value went to 'Africa, regional', 16% to Bangladesh, 12% to Benin and 12% to South Sudan.

The database also allows us to analyse the division of climate-relevant WASH projects between the two Rio Markers. Of the total value of these projects, we find that 93% derives from projects with Rio Marker 1, where climate was a significant, but secondary, objective. Only 7% went to projects where climate adaptation or mitigation was a principal objective. That is much less than the equivalent figure (21%) for all the Netherlands' climate-relevant development finance, across all sectors.

Finally, the CRDF-database also lists the channel of delivery.²⁹ Unfortunately, the categories are not consistently standardised across all entries, which complicates the analysis of the use of different channels. Using information in the database, we have assigned each WASH-related entry to one of a limited number of categories. Table 3 shows the distribution of all Dutch climate-relevant WASH-projects over 2012-19 between these categories. United Nations (UN) agencies represent the largest category, with 26.2%, followed by Public-Private Partnerships (21.1%). Combining International NGOs, local NGOs and academia, the share going directly to civil society actors is less than 18%.

²⁸ A major difference with the UNFCCC Biennial Reports is that these serve to report actually disbursed climate finance in a particular year. The OECD CRDF-data, on the other hand, often lists the total value of a multi-annual project in the year that it is first registered.

²⁹ Furthermore, the CRDF only lists the project value and the assigned Rio Markers, but not the amount of climate finance the donor is (planning) to report officially. Different countries assign different percentages to the different Rio Markers.



Table 3. Netherlands climate-relevant WASH projects 2012-19 by channel of delivery

Channel of Delivery	Value (millions of Euros)	Percentage
UN agencies	358	26.2%
Public-Private Partnerships	288	21.1%
Local private sector	173	12.7%
Recipient governments	157	11.5%
INGOs	156	11.4%
Multilateral Development Banks	96	7.0%
Local NGOs	62	4.6%
Other	53	3.9%
Academia	24	1.7%
Total	1367	100%

Source: authors, based on OECD Climate-Relevant-Development-Finance (CRDF) database

Targeting the most vulnerable?

Studying the real impact and effectiveness of different types of climate finance is an evolving field of research and many questions cannot yet be answered fully. However, there are many signs that most resources bypass the vulnerable communities most at risk of climate change effects.

The IOB (2021) recently evaluated Dutch climate finance for development over the period 2016-19, also looking at the extent to which the target groups of Dutch development cooperation, in particular women, poor and vulnerable people – including farmers – and youth, are reached. It concluded that these target groups are not necessarily being reached and gender objectives are not being met. It is worth quoting from the report at length:

“The target groups are not consistently included in project design, approval, monitoring and reporting. In particular, gender is identified as a priority in Dutch development policy and in programme and funding design, but these intended results are rarely confirmed in evaluations and gender is not consistently mainstreamed. If we take as our sample the twenty funds we studied, then climate-relevant activities seldom manage to focus effectively on gender. Nor is there a clear focus on the poorest and most vulnerable people, except perhaps in some programmes and Strategic Partnerships with NGOs (which are fully funded by ODA).”

IOB (2021), p.xiii

The OECDs CRDF-database also reports on the Gender Equality Policy Marker for each project. Across all Netherlands-financed climate-relevant development activities over 2012-19, we find that 55% of the total value went to activities where gender was a significant objective, and only 5% to projects where gender was a principal objective. Just over 40% of the value went to activities where gender was not targeted at all. Zooming in on WASH-related climate-relevant activities, the picture is slightly different. In this category, 23% of the value went to activities with no gender-targeting. The vast majority, 76%, went to activities where gender was a significant objective, leaving only 0.5% (one single project) where gender was a principal objective.





Conclusions and a Call to Action

Targeting the most vulnerable?

Climate change is without doubt one of the most daunting challenges facing the world today. Even though its negative effects will reach every country on earth, the burden is not shared equally. Ironically, the countries that contributed least to the problem will suffer its worst consequences and have the least resources available to deal with them. This means that the industrialised countries have a large responsibility to support the rest of the world. Fulfilling the commitment to provide \$100 billion in climate finance to the developing world, as taken up in the Paris Agreement, is only a very first step in taking on this responsibility.

It is highly disappointing, therefore, that the rich countries have not even managed to take this first step successfully. Even with creative accounting, such as including loans for large infrastructure projects that only have a minor link to climate change, the rich world only made it to around \$80 billion. Most of this goes to mitigation, leaving a massive shortfall in financing for adaptation, which is crucial to help the most vulnerable countries and communities deal with the inevitable consequences of climate change.

The Netherlands shares in the blame for this failure. Contrary to what is claimed by the Dutch government, the country has not delivered its fair share of the \$100 billion. The share that it did deliver, furthermore, is not additional to pre-existing commitments on development finance, and is disproportionately underpinned by mobilised private finance, which is less likely to reach those people that need support the most. That said, the Dutch public bilateral climate finance should be commended for the extent to which it is aimed at low-income countries. But even here, there is much scope to improve the inclusion and targeting of vulnerable groups.



Conclusions and a Call to Action

In the lead-up to COP-27 in Sharm el Sheikh, Egypt, and the 2023 UN Water Conference, we provide the Dutch government with the following recommendations:

- The Dutch government must provide clarity on what exactly it considers to be its fair share of collective climate finance for countries most affected until 2025, and on what basis.
- The Netherlands must, in line with the COP-26 Glasgow Climate Pact, make concrete plans now to double its public adaptation finance by 2025. This would mean going from EUR 257 million in 2020 to at least EUR 514 million in 2025.
- In making those plans, the Netherlands must pay particular attention to water security. Furthermore, Dutch climate finance must make significant improvements in terms of effectively including and reaching vulnerable groups and communities, such as women and the poor.
- The increase in adaptation finance should be driven primarily by projects that have adaptation as their principal aim (Rio Marker 2), not by projects that have adaptation as a 'significant' aim (Rio Marker 1).
- The Netherlands should take a lead role in international negotiations, pushing other rich nations to jointly agree to significantly increase climate finance commitments for after 2025.
- The Netherlands should push for more clearly defined commitments, distinguishing separate goals for public and private finance, and a separate goal for adaptation.
- The Netherlands should pressure other rich countries, like France, Germany, Japan and the United States to increase and improve their climate finance. In particular, the Netherlands should urge these countries to only count the grant equivalent of any loans.



Bibliography

Algemene Rekenkamer (2020). Resultaten verantwoordingsonderzoek 2018: Buitenlandse Handel en Ontwikkelingssamenwerking (XVII), Rapport bij het Jaarverslag.

CARE (2021). *Climate adaptation finance: fact or fiction?*

Climate Policy Initiative (2021). *Global Landscape of Climate Finance 2021.*

Global Commission on Adaptation (2021). State and Trends in Adaptation Report 2021. *How adaptation can make Africa safer, greener, and more prosperous in a warming world.*

IOB (2021). *Funding commitments in transition: Dutch climate finance for development, 2016-19.* The Hague 2021: Policy and Operations Evaluation Department (IOB), Ministry of Foreign Affairs of the Netherlands.

IPPC (2021). *Climate Change 2021: The Physical Science Basis, Summary for Policymakers.* Contribution to the 6th Assessment Report of the Intergovernmental Panel on Climate Change.

IPCC (2022). *Climate Change 2022: Impacts, Adaptation and Vulnerability; Summary for Policymakers.* Contribution to the 6th Assessment Report of the Intergovernmental Panel on Climate Change.

Munia, H., J. Guillaume, Y.Wada, T.Veldkamp, V. Virkki, M.Kummu (2020). 'Future transboundary water stress and its drivers under climate change: a global study'. *Earth's Future*, Vol. 8, No.7

ODI (2021). *A Fair Share of Climate Finance? Apportioning Responsibility for the \$100 billion climate finance goal.* London: Overseas Development Institute.

OECD (2020). *Climate Finance Provided and Mobilised by Developed Countries in 2013-18.*

OECD (2021a). *Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends updated with 2019 data.*

OECD (2021b). *The interlinkages between water security and climate action.* Background paper for Roundtable on Financing Water.

Ortiz-Bobea, A., T.Ault, C.Carillo, R.Chambers and D.Lobell. (2021). 'Anthropogenic Climate change has slowed global agricultural productivity growth'. *Nature Climate Change*, Vol. 11, 306-312

Rijksoverheid (2019). Schriftelijke antwoorden op vragen gesteld in de eerste termijn van de behandeling van het wetsvoorstel Vaststelling van de begrotingsstaat van Buitenlands Handel en Ontwikkelingssamenwerking (XVII) voor het jaar 2020 (35300-XVII)

Rijksoverheid (2021). Homogene Groep Internationale Samenwerking (HGIS) Jaarverslag 2020.

UNEP (2021). *Adaptation Gap Report 2021: The Gathering Storm – Adapting to climate change in a post-pandemic world.* United Nations Environment Programme 2021.

Vollebergh, H., A. Doranova and I. Schumacher (2020). *Delivering on Climate Finance in selected EU countries.* Scientific paper for Dutch parliamentary commission on Foreign Trade and Development