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Wither multilateralism? Implications of bilateral NAMA finance for development and sovereignty concerns of developing countries

Manish Kumar Shrivastava[a] and **Prabhat Upadhyaya**[b]

a. *Centre for Global Environmental Research, Energy and Resources Institute, New Delhi, India*
b. *Unit of Water and Environmental Studies, Linköping University, and the Centre for Climate Science and Policy Research, Linköping University and Swedish Meteorological and Hydrological Institute, Sweden*

Corresponding author: Manish Kumar Shrivastava (email: mshrivas@teri.res.in)

Abstract

The concept of sovereignty has been considerably redefined by the environmental challenges, particularly those with global implications. While the sovereign right of countries to exploit natural resources (and protect the environment) within national boundaries has been recognized, how this right may be exercised by countries has been facing increasing threat of restrictions on account of the possible negative impacts it may have on other countries and global environment. For developing countries a multilateral regime to address global problems is better suited than a bilateral regime on account of sovereignty concerns. Space to bargain for legitimate space for determining national development agenda, as well as for negotiating a capability enhancing non-intrusive arrangement towards contributing to the global solutions, is relatively wider under multilateral processes – more so, because developing countries can benefit from collective bargaining power. These options are either not available or restricted in a bilateral setting. In the context of climate change, provision of financial support to developing countries under the UNFCCC is one such capability-enhancing non-intrusive arrangement. However, the many bilateral channels of climate finance have reduced the effective bargaining space for developing countries. Many of the terms of these bilateral channels to support Nationally Appropriate Mitigation Actions are in conflict with the long standing negotiating positions of developing countries on climate finance. Hence, implementation of bilaterally supported climate action puts developing countries' negotiating stances in a contradictory position. Moreover, these terms may be influencing the development agenda in favour of mitigation over development.

Keywords: climate finance, multilateralism, bilateral initiatives, NAMAs, sovereignty

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1. Introduction

Recognition of national sovereignty and the derivative right to develop is embedded in all international environmental agreements, to the effect that the right to develop comes across as a manifestation of sovereignty (Tarlock 1997; Weiss 1993). Broadly, the story of climate change negotiations could be summarised as countries trying to maintain their freedom to decide upon domestic climate actions and development pathways while ensuring that the aggregate impact does not hinder global interest. The global nature of climate change has put two types of demands on countries. The first, of course, is to alter their development pathways in line to meet the ultimate objective of the Convention. The second is an implicit demand to redefine sovereignty. Principle 21 of the Stockholm Declaration (UN 1972) recognises that countries have sovereign rights over their natural resources but that, at the same time, all countries need to be watchful of the impacts of their decisions on the global environment.

It is important to note that for the newly independent third world countries, sovereign rights over their natural resources were integral to their new-found freedom and struggle to self-determination (Anand 1987). Reducing and avoiding any form of dependence on, and interference from, Western countries in matters of domestic policy making hence became a core strategic goal, which broadly manifested in building domestic technological capabilities (Parthasarthi 1987). They did not want the industrialised world to dictate the terms of their development. It is not surprising, therefore, that developing countries made it clear during the preparation of the 1972 United Nations Conference on Human Environment at Stockholm that it would be impossible for developing countries to participate in a global initiative on a purely environmental basis and that for them environmental degradation is always integral to their development challenges (Strong 2001).

The concern of sovereignty was again at the centre of debate at the UN General Assembly on the issue of how the negotiations to develop a framework for global climate policy should be organised. Developing countries opposed the idea of negotiations for climate convention being organised under the auspices of the World Meteorological Organisation (WMO) and the United Nations Environment Programme (UNEP) carrying forward the IPCC process, and argued for negotiations under the UN process. Here the concerns of sovereignty were expressed in terms of ability to participate in the global decision-making process. Developing countries believed that they would have equal say in decision-making under the United nations General Assembly process, based on equality of sovereign states as compared to a process under the WMO and UNEP where technical expertise played an important role. Overall, developing countries, which felt excluded from the scientific work by the Intergovernmental Panel on Climate Change (IPCC), argued that climate change is a political and not merely a technical issue (Bodansky 1994). It is important to note that the language of Principle 21 of the Stockholm Declaration, particularly the relationship between the scope and limits of sovereignty, development and global environmental concerns, was echoed in the various UN resolutions that led to the establishment of the United Nations Framework Convention on Climate Change (UNFCCC), as well as the UN Conference on Environment and Development in 1992 at Rio.[1] These resolutions laid the foundation of the core principles of the Rio Declaration as well as the UNFCCC, particularly the principle of equity and common but differentiated responsibility and respective capabilities.

At the core of these debates was the question of control over resources and choices of actions. During negotiations under the Intergovernmental Negotiating Committee (INC) towards drafting the UNFCCC as well as towards the Kyoto Protocol, countries insisted, particularly the developed countries, that a ‘menu of options’ be listed as part of the agreement instead of prescriptions. Driving the concern for this insistence was that countries wanted to keep their sovereign rights intact in deciding which options they wanted to implement in line with their ‘national circumstances’. Of course, many countries were also concerned that such sovereign actions might have negative impacts on their national development. Particularly, the oil exporting countries were concerned that unilateral actions by countries might affect their fossil fuel exports, primary source of their economic growth. Hence, as precaution, they demanded compensation for any losses caused by unilateral actions (Shrivastava 2012; Rowlands 1995). The questions of control, and implications for developing countries, were more pronounced in the discussions that went into the structure of the Global Environment Facility (GEF). At the Rio Earth Summit, developing countries were not in favour of giving the World Bank control of the GEF, raising concerns over the legitimacy of World Bank’s governance structure (Najam 2005). Over the years, the disbursement of GEF funds by the World Bank in the form of combining the GEF grants with World Bank Loans has received sharp criticisms.[2] Current debates on the issues surrounding the ‘pledge and review approach’, ‘international consultation and analysis’ (ICA) and ‘measurement, reporting and verification’ (MRV), also resonate similar concerns regarding control and judgement.

Arguably, the concept of sovereignty has been considerably redefined by the environmental challenges, particularly those with global implications. While the sovereign right of countries to exploit natural resources (and protect environment) within national boundaries has been recognised (UN 1972), how this right may be exercised by countries has been facing increasing threats of restrictions on account of the possible negative impacts it may have on other countries and global environment (Shue 1995). The extent to which the global community can ask a country to limit its sovereign right to make national decisions is at the heart of any attempt to draft a global climate regime. The principles inscribed in Article 3 and commitments listed in Article 4 of the UNFCCC provide a framework for defining global claims on individual countries. From the developing countries' point of view, the principle of equity and common but differentiated responsibilities and respective capabilities and the obligation of developed countries to provide financial, technological and capacity building support to developing countries are extremely important. Particularly 'new', 'additional' and 'predictable' finance which is broadly captured by the phrase 'full agreed incremental costs' in the Article 4 and 11 of the UNFCCC is considered fundamental in full and effective implementation of the Convention. Although negotiations are still grappling with the definition of climate finance, a lot is already under progress in the name of bilateral climate finance, most of which may not be 'new' or 'additional'.

This paper examines the recent developments related to finance for nationally appropriate mitigation actions (NAMAs) in light of the conceptual linkages 'climate finance' has with the idea of development and sovereignty. It argues that recent developments may not be in line with the idea of development and sovereignty that climate negotiations, particularly the UNFCCC, have been respectful of. The rest of the paper is organised as follows. Section 2 outlines a general framework explaining relationship between the idea of development, sovereignty and need for finance in the context of climate change. Section 3 summarises the negotiations on climate finance and discusses briefly the recent developments. Section 4, analyses the current landscape of climate finance in light of the discussion in section 2. General conclusions are drawn in section 5.

2. Climate finance, sustainable development and sovereignty

From developing countries' perspective, the idea of sovereignty, the objective of sustainable development, and the provision of climate finance are inseparably linked through the operational significance of 'capabilities' to follow a desired development path, as well as through meeting the ethical demands of 'equity' and 'freedom of choice'. This relationship is deeply grounded in the principles of the Convention, particularly the principles of equity, common but differentiated responsibility and respective capabilities, and the right to promote sustainable development. However, as Sen (1999) argues, the recognition of equality in principle may remain hollow if the 'real opportunities' set remains unequal. The term 'real opportunity' implies that an agent not only has a set of opportunities available to it but also possesses necessary capabilities to exploit those opportunities. The choices are not free if the 'real opportunities' are restricted on account of limited capabilities. In international politics, the demand for sovereignty is also a demand for equal treatment and freedom of choice. It is not surprising, therefore, that the right to development in international law is grounded either in the concept of 'exclusive territorial sovereignty' or in 'the duty of equity' that developed countries owe to developing ones (Weiss 1993). Arguably, this demand for the right to development, and claims on developed countries to support enhancement of the 'real opportunities' for development, is a negotiated arrangement to protect and enhance the sovereignty of developing countries so as to enable them to fulfill the imperatives of national development while simultaneously attuning to the needs of increasing scope of, and responsibilities towards, global governance regimes.

Access to unconditional and enhanced finance is one of the prerequisites for developing countries to meet the general obligations under the Convention. Access to finance depends upon the strength of domestic financial markets and the attractiveness of an economy to foreign finance. While the former is an integral component of the level of development, the latter is a function of the former, at least partially. However, experience shows that the conventional flow of finance from industrialised countries comes with a potential sovereignty cost. A major policy concern for developing countries, particularly in the post East-Asian crisis, has been to not only attract global finance but also to ensure that it is not volatile (Grabel 2003), in that financial liberalisation has resulted in a considerable amount of influence and negotiating power accruing to international investors in national policy making. A recent example is Nokia threatening to withdraw its investment in opposition to the Indian government's tax policies (*India Times* 2013), an area which is the sovereign right of national governments. A more explicit violation of sovereignty was experienced by some developing countries during the early 1990s when they had to accept a range of 'conditionalities' in return for financial support from the

International Monetary Fund (IMF) as part of a 'structural adjustment programme' (Vreeland 2004). Recent initiatives of the BRICS countries towards setting up a USD 100 billion fund to protect them from financial shocks (Castro 2013), is being interpreted as a strategic step by these countries to avoid the sovereignty costs that came with IMF support.

It is in this context that climate finance has been, and remains, a core issue in climate change negotiations. It continues to be a problematic issue in the negotiations because of different readings by developed and developing country parties of its objectives and functions. In our understanding of climate finance, we refer to the finance that developed countries are expected to provide to developing countries so as to enable the latter to meet their obligations under Article 12 of the UNFCCC (1992). This definition locates the understanding of climate finance in the north-south context.[3] Article 4 provides the contours within which the specific aspects of delivering climate finance and other means of supporting developing countries need to be negotiated and agreed upon. Paragraph 4.3 refers to new and additional financial resources as well as adequacy and predictability in the flow of the funds. Paragraph 4.7 further underlines the importance of international support by explicitly stating that 'The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources'. It also acknowledges the overriding priorities of developing countries. Article 11 of the Kyoto Protocol also referred to these provisions of the convention (UNFCCC 1998). Subsequently, the Bali Action Plan in 2007 recognised finance as one of the four building blocks for the future climate regime and suggested that mitigation in developing countries can be enhanced by means of Nationally Appropriate Mitigation Actions (NAMAs), to be 'supported and enabled … in a measurable, reportable and verifiable manner' (UNFCCC 2007). The Bali Action Plan also acknowledged the different social and economic conditions of parties.

Whether a global agreement on climate regime will successfully deliver the ultimate objective of the Convention is critically dependent upon the magnitude of financial flows from North to South. More than the argument of historical responsibility, this critical role underlines the fact that the developing world cannot change their course of economic progress, in a way conducive to avoiding climate change, on its own. Immediate development imperatives, and concurrent domestic political pressures, do not allow the governments of most countries to give priority to climate action. Poverty eradication from the global south is already on top of the global political and economic agenda. The terms of financial flows, however, have been the subject of fierce debate in climate change negotiations. These debates have taken a more concrete shape ever since developed countries pledged to provide USD 100 billion by 2020. Estimates indicate that this figure is much less than the finance actually needed for effective adaptation and mitigation in developing countries (Sterk *et al*. 2011). Differences also exist on what is eligible to be counted as climate finance, who is to provide this finance, and by what means can this money be raised (Clapp *et al.* 2012). The various suggestions offered for mobilising this volume of financial support have included a range of options blurring the distinction between 'climate finance' and any other mode of financial flows. Broadly, developing countries consider grants provided by the developed countries through budgetary provisions, over and above their overseas development assistance (ODA) commitment disbursed through a multilateral arrangement under the Conference of Parties (COP) as climate finance, whereas developed countries tend to include and report, commercial lending, ODA and other financial flows as climate finance (Fransen *et al.* 2012).

The longstanding position of developing countries that climate finance should flow from developed countries in the form of grants, over and above ODA commitments, has been justified by the historical responsibility argument. However, the emphasis on flow of climate finance from developed to developing countries and various qualifications of the mitigation actions by developing countries are grounded in the principles of equity and common but differentiated responsibilities and capabilities (arguably more than in historical responsibility considerations) and considerations of varying national circumstances. Asking developing countries to do more than their contribution to the problem, as well as their capabilities to do so, is perceived to be unfair. True, the developing world too is equally vulnerable, or perhaps more so, to the impacts of climate change, but asking them to assign climate change a priority over their other domestic political and economic pressures is akin to interfering with their freedom of 'choice', telling them what is more important for them and hence infringing upon their self-determination.

In this context, the provision that actions by developing countries are dependent upon the extent to which developed countries provide financial support appears to be a fair contract between two or more sovereign parties. Of course, other forms of support which may have financial implications, such as technological and capacity-building support, are also acceptable. The operational aspect of it remains the non-willingness to pay or acquiring these capacities in the absence of support. In that case, this is an interesting example of exercising freedom of choice for developing countries to not take actions which are not 'real' for them and, at the same time, an expression of willingness to give global concerns equal priority if the 'sovereignty gap' is reduced by means of adding to their financial capabilities, directly or indirectly.

From this perspective, the overriding priority given to social and economic development in Article 4.7 of the Convention does not necessarily imply neglect of climate concerns but a strategic promise that, once the 'capability gap' is closed through enhanced financial resources, a higher sustainable development trajectory would become a real opportunity for developing countries and climate change would automatically become a priority concern. It is interesting to note that in the Convention, 'promotion of sustainable development' has been treated both as an objective (Article 2), the right of all Parties (Article 3), and the obligation of all parties (Article 4), whereas social and economic development is recognised as the 'overriding priority of developing countries' (UNFCCC 1992). The language of 'right' for sustainable development makes it imperative that countries can claim compensation if their path to sustainable development is obstructed. But, at the same time, the language of obligation for all and explicit lesser priority to the environmental arm of sustainable development in the context of developing countries allows developing countries to claim support to bridge the 'capability gap'.

3. Status of 'climate finance'

Despite continuous emphasis on the element of support in the agreed outcomes and an acknowledgement of the developmental prerogatives of the developing countries, climate finance continues to be a contested topic. The High-level Advisory Group on Climate Change Financing (AGF) undertook an assessment of climate change financing. However, by categorically stating that it 'did not seek consensus on all issues and concepts' (AGF 2010) it acknowledged the complexity and difference in opinions on various issues surrounding climate change. Instead, the AGF report provides a platform for presenting various perspectives without taking any sides.

Buchner *et al.* (2012), in their overview on the landscape of climate finance, estimate that the annual global climate finance flows at USD 343–385 billion in 2010/2011. This figure includes funding from both public (USD 16–23 billion) and private (USD 217–243 billion) sources and funding into both developed countries (USD 193 billion) and developing countries (USD 172 Billion). Public and private financial institutions contribute by raising and channelling some USD 110–120 billion in this estimate. Most of the finance (USD 330.7–369.3 billion) was aimed at mitigation activities, with adaptation failing to attract any sort of private finance. An important point which the study makes is that domestic private actors contributed up to 83% of private investments in developing countries, and private investors from OECD countries contributed for 15% of the remaining investment. As highlighted in section 2, our understanding of climate finance differs from this particular definition. Nevertheless, as one of the most comprehensive studies on climate finance flows, this provides an important point for our argument.

The study indicates that public intermediaries such as multilateral, bilateral, national development banks and dedicated climate funds distributed some USD 77 billion in total, out of which multilateral and bilateral funds accounted for USD 34 billion.[4] National entities accounted for USD 42.7 billion and majorly invested in the country where such institutions were based. Although the study indicates that multilateral and bilateral agencies account for only 10% of overall climate finance, it is important to note that this data comes with a greater degree of confidence. It is much more difficult to provide information about the private sources of finance with this degree of confidence (Stadelmann *et al.* 2013; Pereira *et al.* 2013). Indeed, there is a need to go beyond just reporting the numbers (Stadelmann *et al.* 2013) to get a better understanding of how climate finance is evolving and whether it has implications for changing geopolitics and vice-versa (Gomez-Echeverri 2013). It is, however, clear that the focus of climate finance at the moment is primarily on mitigation. Another useful source of information is the website Climate Funds Update (CFU) (Heinrich Böll Foundation & ODI 2013). The website tracks the international climate finance initiatives that have been designed to address the challenges of climate change. The data maintained by CFU indicates that bilateral and multilateral funds have pledged close to USD 30 billion, of which Japan's 'fast-start finance' fund alone accounts for USD 15 billion. The data confirms that most of the money is spent on mitigation, particularly in Asia and the Pacific region. Most of the initiatives reported by CFU are bilateral in nature. Differences in the figures provided by these oft-cited reports also point to the inconsistency in the various estimates, and hence the uncertainty inherent in quoting any study on climate finance. Evidently, the flow of finance from developed countries to developing countries has been far lower than needed and promised.

In the context of the relationship that climate finance has with sovereignty and sustainable development, as discussed above, the issue of volume of climate finance, its use and terms and conditions of access to it are critical. However, with reference to volume of climate finance, 'what is to be counted as climate finance?' (Watson *et al*. 2012) is the central issue which has been delved into in a number of studies (Sterk *et al.* 2011; Buchner *et al.* 2011; Buchner *et al.* 2012; Stewart *et al.* 2009; Haites 2011). Still the debate is far from settled. Due to the definitional ambiguity on climate finance it is difficult to reach a consensus on key issues such as: a) climate finance needs in developing countries; b) sources of finance; c) amount of finance made available to developing countries; and d) the potential uses that climate finance can be put to (Clapp *et al.* 2012; Sterk *et al.* 2011; Stadelmann et al. 2011). Questions such as whether USD 100 billion is to be treated as gross or net flow; usage of the same terms to mean different things, or different terms to mean same things (Upadhyaya *et al.* 2012) make it difficult to reach consistency on how the term climate finance can be used. In the Green Climate Fund (GCF) discussions, terms such as capital/total investment, incremental investment, and incremental costs have been used to clarify what the GCF should focus on. This ambiguity originates from different readings of the texts in the different UN documents that provide broad context for climate finance and avoids getting into its specific aspects. One expects that operationalisation of the GCF would clarify issues to some extent. But the ongoing negotiations to finalise the Business Model Framework for the GCF have been slow to reach agreement on such crucial aspects (Schalatek 2013). As of now, while the volume of finance is settled in principle in the form of USD 100 billion by the 2020 pledge taken by developed countries at Copenhagen, how that 100 billion is to be mobilised is not the concern of the GCF. But tension was visible in the Fourth Board meeting in Songdo, where Parties differed on the choices presented on GCF's: a) objectives, results and performance indicators; b) financial instruments; c) private sector facility; and d) enhanced direct access.

In its fifth meeting, the GCF Board finally managed to resolve many of these key issues (GCF 2013b).Some of these agreements concerned the principles and factors for the terms and conditions of grants and concessional loans (GCF 2013a) and arrangements between the COP and the GCF (GCF 2013c).

3.1 NAMA finance: Emerging trends

NAMAs are expected to be a crucial tool to enhance mitigation in developing countries. How NAMAs can be supported is still not agreed. The NAMA registry, developed by the UNFCCC, was expected to establish matchmaking between support available for NAMAs and the NAMAs seeking support. Although the registry now hosts substantial information on NAMAs seeking support, the same cannot be said about the support being made available. Based on the information that is available on the registry it seems that most of the action is taking place outside the UNFCCC domain. Annexure 1 presents a snapshot of the information made available at the NAMA registry website on the support available for NAMAs (UNFCCC, 2014). To date, seven initiatives have provided information regarding NAMA support. None of these initiatives are part of the NAMA registry but use it as a platform to share information about their scope, sectors targeted, funding channels, purpose of the support and the principles or criteria for selecting a NAMA to be financed, whether for preparation or for implementation.

All of these initiatives originate in European countries and target different developing countries. Initiatives such as EU-Africa Infrastructure Fund, Latin America Investment Facility (LAIF) and Neighbourhood Investment Facility (NIF) are regional in nature, whereas the GEF, climate-related ODA funding, International Climate Initiative and NAMA Facility focus on almost all developing countries. Out of all these initiatives only GEF – by virtue of being under UNFCCC – is multilateral in nature. The rest of the initiatives are primarily bilateral initiatives. The regional initiatives provide limited information, if any, on the type of actions they support, the organisations that will channel the support they provide and the extent of country consultation that is promoted. But they do provide information on the number of projects that they have supported or the finance that they have made available to date. Some of the initiatives provide support for preparation of NAMAs, whereas others provide information on their implementation; only GEF provides support for both preparation and implementation.

The most important development that is reflected in the information collated in Annex 1 is that all the different funds have their respective selection criteria. It is also important to note that none of the funds provides any information on the extent of financial, technological or capacity-building support that would be made available for supporting NAMAs. Without providing any information on the extent of support made available, it is expected that developing countries would spend resources in designing NAMAs while taking into account different criteria for accessing NAMA support. This complicates the process to access support for NAMA implementation and can create avenues for developing countries to become intellectually dependent on developed countries to meet these requirements. All these funds have substantial overlaps in terms of sectors and type of actions being supported as well as the means by which the support is being provided. Due to substantial overlaps, it should not be difficult to agree on and follow a common funding channel for supporting NAMAs.

On the contrary, there are certain features where these criteria vary from one to another. Some criteria do not exclude any specific country from accessing support, as in the case with the GCF; yet some are regional in nature and expect support of existing priorities, for example with the NIF; whereas some expect the projects to meet the ODA eligibility criteria, as is the case with climate-related ODA funding, International Climate Initiative and NAMA Facility. The latter three funds are bilateral mechanisms, designed to reach out to all the developing countries. By insisting that the funded projects should meet ODA eligibility, these funds broadly violate the condition of being 'new and additional' as most of this support can be easily relabelled as ODA money and used to meet multiple commitments. This in our understanding is a serious issue and needs to be addressed so as to ensure additionality of climate finance and to ensure that multilateralism is followed in word and spirit.

4. Implications for developing countries

The financial flows supporting climate action, by and large flowing through bilateral initiatives and private support, may affect developing countries in three ways. Firstly, the acceptance of bilateral support for actions, particularly with explicit and stated mitigation objectives, weakens the negotiating stance of developing countries for 'new' and 'additional' finance. It has been observed that developed countries have reported all types of financial flows, including commercial loans and ODA, as fulfilment of their commitment of USD 30 billion during 2010-2012 as fast-start finance. This has been acknowledged also in the decision taken at COP 18. Acceptance of such financial flows may imply that even commercial flows and ODA can be treated as 'new' and 'additional' and are equivalent to meeting financial obligations by developed countries as per the principle of the Convention, which is not correct. In fact, a corollary to this development is that flow of such finance for mitigation is not bound to follow the principles of the Convention. The most important deviation is from the notion of 'self-determination' and choice of actions for which 'full agreed incremental cost' is to be provided by developed countries as climate finance. Since these funds are not 'new' and 'additional' but a re-labelling of ODA, those developing countries that choose to stick to their longstanding position on climate finance are excluded by design from access to these resources. This support then comes at the cost of compromising countries' independent foreign policy on climate change, arguably the strongest indicator of a country's sovereignty in international matters, reflected in contribution to the conceptual understanding of the terms of the global agreement.

The second way in which the proliferation of bilateral mitigation support may affect developing countries is by way of implicitly suggesting that developing countries align their low-carbon development strategies, of which NAMAs are one component (Lütken *et al.* 2011), to the criteria as defined by the channel delivering climate finance. Although details of the criteria and their application are yet to unfold, the broad structure of it is in direct conflict with the negotiating positions of developing countries that have manifested their sovereignty over determining developmental priorities. For example, the criterion of the NAMA facility regarding the 'ambition' level of a proposed NAMA is in clear conflict with the COP 16 decision on international consultation and analysis (ICA) of mitigation actions, which clearly notes that the purpose of ICA shall not be to adjudge ambition level of actions being analysed. Further, the criterion of 'transformation' has the potential of being 'intrusive'. In fact, when a South African negotiator questioned the NAMA Facility representative at the technical workshop organised by the SBI during COP19 on why the same money could not be put into the GCF, the representative of the NAMA facility categorically mentioned that through the NAMA facility they were seeking clear control over how the money is used by the host countries.[5]

Along the same lines, it has also been argued in justifying the NAMAs outside UNFCCC process that these experiences will give empirical evidence of how NAMA mechanisms should look, one of the key features of which is a donor-driven MRV framework.[6] This is in clear violation of the idea of climate finance as defined under the Convention. In addition, a likely corollary of such support to mitigation actions is diversion of bilateral aid away from traditional social development sectors such as education, health and water. One may argue that the development co-benefits approach for supporting NAMAs is likely to also take care of traditional lines of bilateral support. While this may be true in many instances, it locks social sectors with 'ambitious' mitigation potential and by implication excludes the regions from receiving support where mitigation potential is low. Moreover, this support also requires that the proposed activity has some level of financial commitment from other sources. Collectively, it may add to the already existing regional developmental inequalities within individual developing countries by encouraging convergence of financial flows to certain areas and sectors. Together, it amounts to setting the agenda for developing countries, which, contrary to the developing country assertion, prioritises mitigation over development.

The third route through which the proliferation of bilateral flow of finance of climate action can undermine sovereignty of developing countries is the possibility that the commitments for bilateral support also leave the GCF empty. This does not have to be necessarily true, but so far this has been the case. Currently, the progress on building the corpus to operationalise the GCF does not seem promising. It has been reported that both France and EU have retreated from their respective commitments of Euro 110 million in 2014 and Euro 100 million in 2020 (EurActiv 2013). In sharp contrast stand the proliferation of bilateral commitments and its rather fast delivery. The German and United Kingdom governments launched the NAMA Facility with up to Euro 15 million support early in 2013. This is in line with what has been referred to as 'get on with it' sentiment in the GCF negotiations (Schalatek 2013). An empty GCF along with a concrete, although ambiguous, flow of climate finance through bilateral channels leaves both multilateralism as well as the collective negotiating power of developing countries weakened in three ways. Firstly, the explicit requirement of the NAMA Facility that this support be recognised as ODA support invites developing countries to give up their longstanding negotiating position that ODA support should not be part of climate finance (UNFCCC 2012). Secondly, and most importantly, developing countries have no say in determining the governance and terms and conditions of disbursement of these resources as they have in case of the GCF or any other mechanisms under the UNFCCC. Thirdly, it delays the operationalisation of the GCF, which can play an important role in developing a more inclusive mechanism which eliminates the negative consequences of proliferation of large number of funds, and provides a focal point through which the efforts to address climate change can be amplified, more so if it engages developing countries at the national level, and engages with parties at a partner level (Gomez-Echeverri 2013). Operationalisation of the GCF can possibly result in finding the middle ground between a highly centralised system and a decentralised system that will be crucial to ensure highest ownership of the GCF's governance structure balancing national sovereignties with global imperatives.

5. Conclusion

For developing countries, a multilateral regime to address global problems is better suited than a bilateral regime on account of sovereignty concerns. Space to bargain for legitimate space for determining a national development agenda as well as negotiating a capability-enhancing, non-intrusive arrangement towards contributing to the global solutions is relatively wider under multilateral processes; more so, because developing countries can benefit from collective bargaining power. These options are either not available or restricted in a bilateral setting. In the context of climate change, provision of financial support to developing countries under the UNFCCC is one such capability-enhancing, non-intrusive arrangement. However, the many bilateral channels of climate finance have reduced the effective bargaining space for developing countries. Many of the terms of these bilateral channels to support NAMAs are in conflict with the longstanding negotiating positions of developing countries on climate finance. Hence, implementation of bilaterally supported climate action puts developing countries' negotiating stances in a contradictory position. Moreover, these terms may be influencing the development agenda in favour of mitigation over development. While one can only hope that capitalisation of the GCF will counterbalance this trend, it is difficult to conceive that developed countries will contribute to the GCF along with the bilateral channels.

Annexure 1

See pages 25-26.

Notes

1. See United Nations General Assembly Resolutions A/RES/42/186 (Environmental Perspective to the Year 2000 and Beyond, adopted on 11 December 1987); A/RES/ 42/187 (Report of the World Commission on Environment and Development, adopted on 11 December 1987); A/RES/43/53 (Protection of global climate for present and future generations of mankind, adopted on 6 December 1988); A/RES/ 44/228 (United Nations Conference on Environment and Development, adopted on 22 December 1989); A/RES/45/211 (United Nations Conference on Environment and Development, adopted on 21 December 1990); and A/RES/45/212 (Protection of global climate for present and future generations of mankind, adopted on 21 December 1990).
2. Personal communication with Dr Prodipto Ghosh, former climate negotiator for India.
3. We use north-south and developed-developing terminologies interchangeably. The latter is more frequently used in the UNFCCC context than the former but the north-south framing is important to provide historical context.

4. Multilateral finance institutions (USD 21.2 billion); Bilateral finance institutions (USD 11.3 billion).
5. Personal notes.
6. Laura Whittinger during a side event presentation on NAMAs at COP18.

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Annexure 1: Sources of finance for NAMAs as listed on NAMA Registry (2014)

Title	*GEF Trust Fund*	*Climate related ODA Funding*	*International Climate Initiative*	*NAMA Facility*	*EU-Africa Infra-structure Trust Fund*	*Latin American Investment Facility*	*Neighbourhood Investment Facility*
Part of Registry	No. GEF has funded NAMAs in Azerbaijan, Kazakhastan, Peru and Tunisia outside the Registry.	No. No information is provided on support provided outside of Registry.	No. IKI has initiated 365 projects until October 2013 with funding totaling EUR 1.15 bn. About half of the projects contribute to mitigating greenhouse gas emissions.	No. No information is provided on support provided outside of Registry.	No. The cumulative total of grant operations approved by the ITF by Sep 2013 outside Registry is EUR 385 m.	No. LAIF has approved 20 operations in Latin America (LA) outside the Registry, granting a total of EUR 160 million (end 2012).	No. NIF has supported 66 projects in the region outside the Registry (end 2012). In total, it contributed EUR 590 m out of which EUR 332 m have contributed to 41 low-carbon and climate resilience projects.
Funder(s)	Multilateral.	Germany.		Germany and the United Kingdom.	European Commission and certain European Union Member States.	Multilateral and/or bilateral public European Development Finance Institutions and regional LA banks.	European Economic Community.
Regional scope	Africa, Asia Pacific, Eastern Europe, LA and the Caribbean, LDCs, SIDS, Middle East and North Africa, member countries.	Africa, Asia Pacific, Eastern Europe, Latin America and the Caribbean, LDCs, SIDS, Middle East and North Africa.			Africa.	LA and the Caribbean.	Eastern Europe, Middle East and North Africa.
Sector	Energy supply, residential and commercial buildings, agriculture, waste management, transport and its infrastructure, industry, forestry				Energy supply, transport and its infrastructure		Energy supply, waste management, transport and its infrastructure, industry and forestry
Type of action	National/sectoral goal, Strategy, National/sectoral policy or program, Project: Investment in machinery, Project: Investment in infrastructure.			Project: Investment in machinery, Project: Investment in infrastructure.	Not specified.		
Channel	World Bank serving as the GEF Trustee.	Bilateral.	Through implementing organisations only.	Through GIZ and KfW.	Not specified.		
Principles/ criteria	Contribute to overall objective of the UNFCCC (Article 2). Applies the overall criteria of GEF: 1. Undertaken in eligible country, consistent with national priorities and programmes; 2. Addresses one or more of the GEF focal areas; 3. Consistent with the GEF operational strategy; 4. Seeks GEF financing only for agreed-	Development needs, governance performance, the relevance of Germany's contribution compared with other bilateral and multilateral donors, political factors, regional aspects and established ties. Should meet criteria for ODA eligibility.	Two step selection process. Main criteria to fund project proposals are: 1. Designing an international climate finance architecture; 2. Innovation and multiplier effect; 3. Transparency and coherence; 4. Sustainability of projects. Funded projects must meet the criteria for	*Step 1, General Criteria:* 1. Maturity for immediate implementation; 2. Time frame; 3. ODA eligibility; 4. Financing volume € 5-15 m; 5. Feasibility and (preliminary) implementation plan; 6. Concept for phase-out of support. *Step 2, Ambition criteria:* 1. Contribute to transformation of na-	ITF grants are always connected with loan investments provided by one or more financiers. It is only the financiers that are entitled to submit grants requests for infrastructure projects that may be eligible for ITF support. Projects eligible for ITF support must be able to demonstrate both financial sustainability	Strategies and priorities are fixed by the LAIF Strategic Board, which is chaired by the European Commission and the European External Action Service, and composed of representatives from the EU member states. Projects are presented by the European Lead Financial Institution to the Finance Institutions Group which appraises and dis-	Project must be located in an European Neighbourhood Policy (ENP) partner country which has signed an Action Plan with the EU. Projects must support the priorities of the ENP Action Plans or related thematic policy priorities, avoid replacing private financing (additionality), and be complementary to corresponding regional,

Title	*GEF Trust Fund*	*Climate related ODA Funding*	*International Climate Initiative*	*NAMA Facility*	*EU-Africa Infra-structure Trust Fund*	*Latin American Investment Facility*	*Neighbourhood Investment Facility*
	on incremental costs on measures to achieve global environmental benefits; 5. Involves the public in project design and implementation; 6. Is endorsed by the government(s) of the country/ies in which it will be implemented. Supported NAMAs are expected to contribute towards achieving economy-wide emission goals.		recognition as ODA.	tional/ sectoral development; 2. additional development co-benefits beyond GHG emissions; 3. Substantial funding contribution from other sources; 4. GHG emission reductions. Funded projects must meet the criteria for recognition as ODA.	and a development impact.	burses funding for projects.	national and local strategy and measures. To receive a grant contribution from the NIF, a project must be financed by an eligible European Finance Institution.
Country consultations	Support through its regular financing of mitigation projects endorsed by developing parties.	Yes.	No, decision on support made by IKI.	Need endorsement by respective national government/national ministry.	Not specified.		
Support for	Preparation and implementation of NAMas.	Preparation of NAMAs.		Implementation of NAMAs			Preperation of NAMAs
Financial support	No amount provided; Support by means of grant.	No amount provided; Support by means of grant, concessional loan.	No amount provided; Support by means of grant, loan (private).	No amount provided; Support by means of grant, concessional loan.	No amount specified, EUR 746.4 million pledges since 2007; grant, guarantee and equity.	No amount specified; Support by means of grant and loan (private).	No amount specified; Support by means of grant, guarantee, equity.
Technological support	No technology specified.	No technology specified; not a necessarily component.	No technology specified; follow an integrative concept for acceleration of transformational processes.	No technology specified.			
Capacity building	No information provided.						