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World Development Vol. 68, pp. 149–162, 2015
0305-750X/

http://dx.doi.org/10.1016/j.worlddev.2014.10.033

Acting on Climate Finance Pledges: Inter-Agency Dynamics and Relationships with Aid in Contributor States

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Summary. — Developed countries have relied heavily on aid budgets to fulfill their pledges to boost funding for addressing climate change in developing countries. However, little is known about how interaction between aid and other ministries has shaped contributors' diverse approaches to climate finance. This paper investigates intra-governmental dynamics in decision-making on climate finance in seven contributor countries (Australia, Denmark, Germany, Japan, Switzerland, the UK, and the US). While aid agencies retained considerable control over implementation, environment and finance ministries have played an influential and often contrasting role on key policy issues, including distribution between mitigation and adaptation and among geographical regions.

Key words — climate policy, climate finance, development assistance, bureaucratic politics

1. INTRODUCTION

Longstanding debates over whether and how aid may support developing countries' efforts to address climate change have intensified since 2009, when developed countries significantly raised the ambition of their funding commitments. Under the Copenhagen Accord, developed countries promised collectively to provide "fast-start" climate finance approaching $30 billion during 2010–12, and to "mobiliz[e] jointly" US$100 billion a year in climate finance by 2020 (UNFCCC, 2009). The scale of the long-term commitment is significant when compared with current Official Development Assistance (ODA [1]) flows of around $135 billion in 2013 (OECD, 2014). This commitment reflected growing international recognition that an effective global response to climate change requires considerably greater funding for developing countries to limit or mitigate their growing share of global greenhouse gas emissions, as well as measures to enable them to adapt to the increasingly apparent impacts of climate change.

Much climate finance is currently sourced from existing aid commitments and flows through a decentralized system dominated by a large number of bilateral aid agencies and a series of multilateral funds. Over the longer term, institutional innovations such as the UN's new flagship Green Climate Fund (GCF) may help reduce fragmentation in the governance of climate finance. However, the United Nations Framework Convention on Climate Change (UNFCCC; Art 11(5)) and more recent decisions under the UNFCCC vest individual contributing countries with significant discretion over how they deliver on their commitments. Consequently, in keeping with the more "bottom-up" (or nationally driven) approach to climate change mitigation witnessed since Copenhagen (Keohane & Victor, 2011), the diverse approaches of contributing countries are likely to have a continuing role in shaping the "landscape" (Buchner *et al.,* 2013) of climate finance.

Some analysis has explored the role of relations between contributor and recipient countries in shaping this landscape (see e.g., Ciplet, Roberts, & Khan, 2013) or compared contributors' positions on aspects of climate finance (e.g., Michaelowa & Michaelowa, 2011; Nakhooda, Fransen, Kuramochi *et al.*, 2013; Stadelmann, Michaelowa, & Roberts, 2013). Much less research has addressed the influence of political and economic factors within individual governments. For both contributor and recipient countries, climate finance represents a complex example of national decision-making, since it engages an array of ministries, departments and implementing agencies (which we will refer to generically as "ministries") ranging from environment and climate change through to development, foreign affairs, and finance. However, little is known about variations in inter-agency configurations within the governments of individual contributors or the preferences of different agencies that may have influenced those configurations. Nor—despite the fact that contributors count the bulk of their climate finance as aid—has existing research systematically identified the specific dimensions along which contributors' climate finance and aid practices [2] align or differ.

* For helpful comments we gratefully acknowledge Harro van Asselt, Smita Nakhooda, Erik Lundsgaarde, two anonymous reviewers for our submission to *World Development*, and participants at the Tokyo Earth System Governance Conference in January 2013, where we presented an earlier version of this paper. Final revision accepted: October 31, 2014.

Analyzing how intra-governmental dynamics have influenced decision-making on climate finance so far is crucial for understanding how this area is likely to develop in the future, and how likely it is that recipients' demands in this context will be met. In addition, comparative analysis of climate finance and aid practices can inform scholarly understanding of how non-development ministries influence development practice, and how different institutional standpoints may give rise to varying understandings of the contested concept of adaptation and its relationship to development.

In this article we seek to improve understanding about the dynamics of decision-making on climate finance in key contributor countries. Our analysis proceeds by exploring (i) the differing views of ministries on key policy and implementation issues in climate finance; and (ii) the extent to which contributors' practices on these issues differ from their practices on related aid issues. Drawing on literature from bureaucratic politics and development policy, we develop preliminary insights that may explain why ministries' views differ within individual countries; and why the relative influence of ministries within contributor governments may lead contributors' practices on climate finance to differ from both their own aid practices and the climate finance practices of other contributors. Our research is based on interviews with government officials from seven contributor states—Australia, Denmark, Germany, Japan, Switzerland, the United Kingdom, and the United States—and quantitative comparison of key indicators of climate finance and aid for these states. Our findings address selected *outcomes* of the global climate change regime (that is, behavioral change in contributor countries flowing from implanting their international commitments) as opposed to the *outputs* of the regime (i.e., the UNFCCC's provisions on climate finance) or its *impacts* (the effectiveness of regime outcomes on addressing climate change within developing countries; our terminology here draws on Young, 2001, pp. 114–115).

The article is structured as follows. Section 2 sets out a working definition of climate finance and outlines the complex institutional architecture of climate finance and its relationship to aid against the backdrop of existing literature on climate finance. Section 3 sets out a conceptual framework for analyzing inter-agency dynamics in the national governance of climate finance. Section 4 then discusses our methods, and report and compare the results of our interviews with government officials. Section 5 explores the main insights emerging from our results, focusing on typical configurations of inter-agency dynamics that are identifiable across several countries and areas of greatest conflict and agreement, and offering preliminary explanations for our main findings. Section 6 concludes while proposing directions for further inquiry in this new area of research.

We find that disagreement among ministries has largely centered on the balance between mitigation and adaptation support and the criteria applicable to allocating funds among recipient countries. In some cases, inter-agency differences over the role of mitigation and adaptation reflect different conceptualizations of these terms, while in other cases ministries appear to hold shared interpretations of the terms but assign them different priorities based on their organizational mandates. Despite contributors' climate finance practices displaying considerable similarities with their aid practices, some differences are notable. Some of these differences may be attributable to the greater involvement of other ministries—and the consequent diminishing policy influence of development ministries and in some cases environment ministries—in policy-making on climate finance as its monetary value and political importance has increased in recent years.

2. THE CONTESTED RISE OF CLIMATE FINANCE WITHIN A FRAGMENTED GOVERNANCE ARCHITECTURE

(a) *Climate finance: scope of analysis*

As we elaborate below (Sections 2(b) and 5(c)), the question of what constitutes "climate finance" is itself contested internationally. However, for working purposes we adopt the following definition: "financial flows mobilized by industrialized country governments and private entities that support climate change mitigation and adaptation in developing countries" (Stadelmann *et al.,* 2013, p. 720).

We focus on public flows of climate finance mobilized under developed countries' pledges of fast-start finance over 2010–12. As Nakhooda, Fransen, Kuramochi *et al.* (2013, p. 4) observe, the fast-start period "was intended to inform future efforts to scale up the delivery of long-term climate finance, and many of the approaches that have been adopted may point the way to future practices". Consequently, other flows of climate finance—including through market-based instruments such as the Clean Development Mechanism (CDM; on which an extensive literature has emerged: see Paulsson, 2009) and private investment—remain beyond the scope of the present article. While the private sector provided the majority of climate finance in 2012 (62% or US$224 billion), much of it was enabled by public finance, with the latter making up 38% of climate finance in the same year (US$135 billion (Buchner *et al.,* 2013)). Public flows of climate finance may fulfill important roles through mobilizing private finance by reducing investment risks and generating knowledge, as well as through addressing climate-related needs in countries and sectors (especially relating to adaptation) that struggle to attract private investment (Bowen, 2011, pp. 1021–1022).

Although a substantial literature has emerged on national decision-making in international development assistance (see Section 3), far less scholarly research has addressed climate finance (for significant collections see Haites, 2013; Michaelowa, 2012; Stewart, Kingsbury, & Rudyk, 2009). None, as far as we know, investigates national decision-making by contributor countries in this area. Here we highlight two important and related dimensions that have characterized the emerging global architecture for climate finance: normative contestation between developed and developing countries regarding the relationship between climate finance and development assistance; and the fragmented nature of the global architecture for governing climate finance. As subsequent sections will show, these dimensions together provide considerable scope for varying approaches within and across governments of contributing countries.

(b) *Normative contestation over climate finance and aid*

The current climate finance architecture has emerged against the backdrop of longstanding differences between developed and developing countries over the nature of climate finance and its relationship to aid. Here we highlight two notable points of difference among countries: the objectives and obligations underlying each type of funding; and attitudes toward funding for global public goods or local needs.

First, developing countries have persistently argued that climate finance should be treated differently from development assistance, since it is based on a distinct obligation flowing from developed countries' disproportionate contribution to