How France's development partnerships are meeting the challenge of climate change ?

Innovating financing and the French G20 presidency

To help developing countries overcome the impacts of climate change, developed countries pledged to raise $ 100 billion per year by 2020 from a variety of sources, public and private, bilateral and multilateral, including innovative financing. It is time now to work on the identification of potential funding sources, particularly innovative financing. Therefore, France, as chair of the G20 in 2011, put the issue of funding climate on the agenda in order to make progress in the implementation of the recommendations of the UN Secretary-General's High-level Advisory Group on Climate Change Financing (AGF), in particular a tax on financial transactions and a contribution of maritime transport and international air.

Why use innovative financing to meet the climate challenge?

Since this subject was first raised in 2002, it has met with increasing interest among states, civil society and public opinion. This interest is motivated by two observations:

- the need to mobilize new sources of funding, complementary to traditional development assistance in order to to achieve the developed countries financial goals set by themselves;
- the awareness that concerted action at international level is a more economically efficient in order to address these new sources of funding considering the strong interdependence of economies and the risk of competition distortions.

It is also important to remember that:

- innovative financing does not necessarily involve taxes, as other tools can be used (redirecting distorting existing subsidies, emission permits trading market);
- taxes considered at international level should respect the States sovereignty, who would be in most cases responsible for their collection;
- the proposals as an market instrument in the international maritime and air transport sector are not distorting, but can instead contribute to the development of a model for more sustainable growth. As regards the tax on financial transactions, its very low amount and its wide base should severely limit its impact distortion.

Report from the High Level Advisory Group on Climate Change Financing (AGF) established by the United Nations Secretary-General.
This report was made public in 2010 and offers an objective, in-depth analysis of potential sources of finance. Each of these sources is assessed against a set of demanding criteria, such as its reliability or its capacity for generating income without affecting worldwide growth. The report shows that raising 100 billion $ per year is a considerable but feasible challenge. It will mean drawing on a diverse range of financing sources: public and private, national and international, innovative and traditional. Among the interesting public sources, the report highlights the benefits of a market mechanism (tax or permit market) in the shipping industry and international air sector and of a tax on financial transactions. Finally, the report demonstrates the significant role that the Multilateral Development Banks and the carbon markets can play to improve the leverage effect of public investment flows from the private sector and to contribute to a transformation of the economies of developing countries. Finally, it shows that developed and developing countries can and must work together, while recognising the principle of their shared but differentiated responsibilities.
www.un.org/wcm/content/site/climatechange/pages/financeadvisorygroup

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Mobilisation on innovative financing under the French G20 presidency

The French involvement in favour of innovative financing and funding climate is old. Indeed, France is among the countries that have set up a solidarity contribution on airline tickets in order to fund the UNITAID program. The tax on financial transactions primarily for the development and the market mechanism (ETS or tax) in the area of international maritime and air transport for the climate are among the sources of innovative financing preferred by France. In 2010, the President of the French Republic, Nicolas Sarkozy, has brought to the G20 summit in Toronto and at the podium of the UN, the idea of a tax on financial transactions. Moreover, France is a major contributor to international financing of climate. In 2010, she now spent almost three billion euros.

At the Seoul Summit in 2010, the Heads of State and Government of the G20 welcomed the report of the AGF and asked their Finance Ministers to examine it. In this context, France has made financing for development and climate one of the priorities of its presidency of the G20 in 2011, in order to launch a process on it at the Durban Climate Change Conference.

To do so, the G20 presidency undertook studies with the private sector and civil society on ways of broadening existing financial mechanisms to other sources. The French president entrusted the founder of Microsoft, Bill Gates, with a mission on ways of implementing innovative financing for development in the poorest countries and to help them adapt to climate change. The G20 also commissioned the World Bank, together with regional development banks and the IMF in collaboration with the other organisations concerned, to analyse ways of raising sources of finance for climate change action, covering public, private, bilateral and multilateral sources as well as innovative sources, and drawing in particular on the AGF report.

The World Bank report on raising climate finance

The report commissioned from the international organisations (World Bank, IMF, OECD, regional development banks) by the G20 under the French presidency lists sources of finance, based on three different forms of taxation and enabling the developed countries to fulfil their Copenhagen and Cancun undertakings. First of all, the report points to a redirection of ineffective subsidies for the production and use of fossil fuels and to the the introduction of carbon pricing policy (tax or ETS) at home by developed countries. Next, the report demonstrates the potential and the possibility of setting up a market mechanism (ETS or tax) to reduce emissions from international shipping and air transport while respecting the principles of the IMO and ICAO (for a comprehensive policy covering all emission sectors), as well the UNFCCC. He noted that the impact on growth and international trade of such devices is very small and could be an appropriate compensation for developing countries, especially the poorest and most vulnerable. Finally, the report highlights the major role that could play the private sector, including carbon markets, and the Multilateral Development Banks to help developing countries to transform their economies towards a low carbon.

The conclusions of these studies presented at the G20 Summit chaired by France, in Cannes in early November, enabled the adoption in the climate change and development paragraphs of the following declaration:

..."We discussed the World Bank -- IMF -- OECD -- regional development banks report on climate finance and call for continued work taking into account the objectives, provisions and principles of the UNFCCC by international financial institutions and the relevant UN organizations. We ask our Finance Ministers to report to us at our next Summit on progress made on climate finance" ...

..."We agree that, over time, new sources of funding need to be found to address development needs. We discussed a set of options for innovative financing highlighted by Mr Bill Gates, such as Advance Market Commitments, Diaspora Bonds, taxation regime for bunker fuels, tobacco taxes, and a range of different financial taxes. Some of us have implemented or are prepared to explore some of these options. We acknowledge the initiatives in some of our countries to tax the financial sector for various purposes, including a financial transaction tax, inter alia to support development."...

For more information:

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