

# Poorest countries to gain from new climate funding plan to break Cop26 impasse

**Climate finance plan needed to gain backing of developing nations for any deal at Glasgow talks**



Artists paint a mural on a wall near one of the Cop26 venues. Photograph: Jeff J Mitchell/Getty Images

**Fiona Harvey** *Environment correspondent*

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The world's poorest countries are set to benefit from a new climate funding plan to help them cope with the impacts of climate breakdown, in an effort to break the impasse between developed and developing countries at the **UN Cop26 climate summit**

The UK government, as **Cop26** host, will unveil the proposals on Monday along with ministers from Germany and Canada, who have been charged with drawing up a plan for climate finance, needed to gain the backing of scores of developing countries for any deal at the talks, which open in Glasgow next Sunday.

However, the Cop26 climate finance plan is likely to be overshadowed by a row within the UK government over overseas aid, as the chancellor of the exchequer, **Rishi Sunak**, prepares fresh cuts to the UK's aid budget in the comprehensive spending review on Wednesday, against the wishes of Cop26 supporters in the cabinet.

Poor countries have been promised since 2009 that by 2020 they would receive at least \$100bn a year from public and private sector sources in richer countries to help them cut greenhouse gases and cope with the impacts of extreme weather.

But that **promise has not been fulfilled** and a **report from the OECD** last month found that in 2019, the latest year for which data is available, only about \$80bn was provided.

Alok Sharma, the UK cabinet minister who will act as Cop26 president, said: "Developed countries must deliver on the \$100bn a year promised to developing nations. This is a totemic figure, a matter of trust, and trust is a hard-won and fragile commodity in climate negotiations."

Extra funding has been announced by the US, Germany, Canada, Japan and other countries, but **more is needed**.

The plan being unveiled on Monday will propose meeting the \$100bn by taking an average of the finance provided from 2020 to 2025, instead of single years. More of the money is expected to be devoted to adaptation, which helps the poorest countries more, rather than for cutting emissions, which tends to flow to middle-income countries.

The UK charged Germany and Canada with formulating the climate finance plan in an effort to draw from as wide a range of donors as possible. But it was also convenient to deflect attention from the UK's own actions, in **slashing overseas development aid** from 0.7% of GDP to 0.5%, a cut of at least £4bn a year.

Although the UK's funding for climate finance of £11.6bn over five years is ringfenced, the cuts – announced last year and **confirmed in July** – give a poor impression to allies among developing countries and other donor countries.

**Major figures in the climate talks** have described the ODA cuts as “disastrous” and “inexplicable”. Tom Burke, the co-founder of the green thinktank E3G, called the decision “unnecessary and stupid”.

While the UK is hoping some of that criticism will be defused by the climate finance plan, a fresh crisis looms.

The **Guardian revealed this month** that Sunak was planning to use new funding created by the International Monetary Fund to substitute for some of the overseas aid budget, in effect depriving poor nations of new expected funds. The funding, called special drawing rights (SDRs), was provided to all countries by the IMF to help them cope with the impacts of Covid-19.

Other rich countries are expected to offer their SDRs to poor nations, enabling them to gain access cheaply to foreign currency, necessary pay-down loans and **avoid a debt crisis**. To use the SDRs instead to replace existing aid would reduce the UK’s aid spending by several billions over this parliament, experts estimate.

Leading climate experts have said this further cutting of overseas aid would be highly damaging at Cop26.

One high-ranking official, who could not be named, said Sunak’s actions were clearly against the spirit of the IMF deal. They said: “The UK is not doing anything that contradicts the IMF rules or the OECD’s definition of aid, but it is substituting aid rather than adding. G20 members discussed this and nudged each other not to substitute, but to add additional resources to the funding pool.”

Another expert added: “We seem to have a UK Treasury adherence to austerity which is at odds with the **urging of the managing director of the IMF** and the work of the UK as president of Cop26, where the focus has been on mobilising climate finance. This [use of SDRs] seems to be odds with the [world’s] urgent priorities.”

Rachel Kyte, the dean of the Fletcher School at Tufts University in the US, and a former World Bank top-ranking climate official, said: “The spirit of much of the discussion around the SDR issue was its reallocation [by the rich to poor

countries] ... The spirit would also mean it would be considered additional to ODA commitments in developed countries.”

The Guardian understands discussions are ongoing between the Treasury, the prime minister and other cabinet members who want to stop the SDR plans. There is already a **rift between Sunak and Johnson over green issues**, viewed with increasing consternation by observers.