Bolivia Climate Primers: 
Northern Fixes and Southern Realities

PRIMER THREE
CLIMATE FINANCE AND BOLIVIA
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### GLOSSARY OF TERMS

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ABOUT THE SERIES

The Democracy Center has a long history of working to help citizens understand and influence the issues that affect their lives. As we have deepened our work on climate over the last few years, we have focused our efforts on three key areas: supporting climate activists to be more strategic, lifting up narratives on climate from ground zero, and providing reports and analysis on the climate crisis.

While our strategy work aims to help groups have more impact when they take action, we also recognize that it is vital for activists and others to be informed of the issues they wish to influence in order to build effective strategies.

The policy debates around climate change can often seem overwhelming, especially to newcomers to the subject. Its all-permeating nature as an issue which affects everything and everyone is matched by the exceptional depth of complexity and technicality of the debates around it. Getting to grips with the different issues, dynamics and perspectives at play in terms of the ‘global North’/’global South’ (or ‘developed/developing world’, or ‘rich/poor nations’) is also crucial to understanding these debates, and can be especially daunting. Bolivia, as a resource-limited country on the coalface of climate impacts, which has also taken quite a strong, often alternative, public stance in climate negotiations, makes an interesting and instructive test case for exploring this nexus of issues further.

To help citizens to understand the key debates and what they look like from a global Southern perspective, former Democracy Center researcher and climate negotiator Rebecca Hollender has written this set of three Bolivia Climate Primers. These ‘101s’ seek to help anyone who is interested get a better grasp of the basics of current policies and proposals on the table around mitigation, adaptation and climate finance, and what implications they have for Bolivia. We hope that you will find these useful, whether you are an activist, a student, a researcher, or just generally interested in the subject.

This third and final primer – Climate Finance and Bolivia – looks at the very thorny issue of who should and who can pay for climate mitigation and adaptation, the injustices of the proposals on the table, and the possibilities for Bolivia inserting itself into these debates.

(To see the Democracy Center’s full range of work on climate issues visit the Climate and Democracy pages of our website.)
INTRODUCTION

As shown in Primer Two, adaptation to climate change will require significant financial and capacity resources in the coming years. As resource need increases in Bolivia and elsewhere, international conversations turn to determining ways to make such resources available. This section will look at some of the key debates around international climate finance discussions, Bolivia’s role in these discussions, and possible points of collaboration between Northern and Southern climate activism around climate finance.

Like mitigation and adaptation, the debates around climate change finance are varied and complex. Like most climate change sub-topics, climate finance has become a highly specialized area. Human expertise and financial resources are necessary to decipher the jargon, legal and technical stipulations, and follow the constantly changing scenarios.

Additionally, climate finance conversations, like those surrounding mitigation and adaptation, are marked by drastically different contexts in the North and South. The vast disparities in power and wealth between the stakeholders that participate in climate finance debates create an unequal negotiating field. Major differences exist between funders and funded. On the one hand, countries like Bolivia that are dependent on external resources to address climate change lack the highly specialized teams necessary to represent the country’s interests. Also, since Bolivia’s own funds are not in the equation, its voice is largely excluded from decision making arenas. Northern countries and corporations, under pressure from the international community to provide compensation for their historical and current emission patterns, have expert teams of lawyers and negotiators who steer decision processes in their favor. These powerful stakeholders not only find ways to avoid paying their climate debt, but also (successfully) convert climate change finance into a profitable endeavor.

CLIMATE FINANCE: THREE TALKING POINTS

Given the many debates surrounding climate finance, Bolivia needs to maximize its limited resources and choose its battles wisely. Since its main goal is to obtain funding, Bolivia’s participation is essential in conversations about the availability and destination of funds, democratic funding practices, and access to funding. Although Southern countries and communities face unique resource deficits in meeting adaptation and recovery needs, climate finance dynamics furnish additional grounds for creating solidarity between Northern and Southern climate justice movements.

» Funding for what?

One of the main debates around climate finance is about what funds should be used for. Ironically, some of the funds that are up for debate don’t even exist yet. This is because many of the
funds promised under UNFCCC mechanisms have not materialized. For example, only $23.6 of the US$30bn in “fast-start” funding commitments that historically-emitting countries pledged in Copenhagen in 2009 has been deposited.¹ These unmet commitments and lack of tracking mechanisms, or ways to monitor and enforce financial pledges, cast doubt on whether the additional US$100bn/year promised for developing countries by 2020 is realistic. The elaborate and ample debates surrounding climate change finance often seem premature, given that funds don’t exist. Still, it is important for Bolivia to position itself in these debates in order to guarantee that its interests are met in any resulting mechanisms for climate finance.

Need for increased finance for adaptation, losses and damages

Currently, only one-fifth of climate finance goes to adaptation in developing countries. This runs contrary to the Copenhagen agreement to balance funds between adaptation and mitigation.¹ The previous section (see Primer Two – Adaptation) stressed the urgent and long-term needs of Bolivia and similarly vulnerable countries for resources to support adaptation. In contrast to the predicted US$86-109bn that developing countries will need for adaptation by 2015, current funds only amount to $1.5bn/year for adaptation. These funds meet a mere 1-2% of developing country need, and those needs are predicted to rise indefinitely.²

The reasons why climate funds get earmarked for mitigation over adaptation are revealing. First, funding for adaptation comes largely from public sources, such as Official Development Assistance (ODA), which is known for its inherent weaknesses in transparency and delivery. The capture of public funding pledges for adaptation is further hindered by the absence of an effective global mechanism to channel such funds, whereas mitigation funding mechanisms exist under the Kyoto Protocol. Perhaps the most telling explanation for the skewed balance of climate finance is related to the financial incentives offered by mitigation projects. Private and public funders have discovered that carbon offset mechanisms, like the Clean Development Mechanism (outlined in detail, below), make investment in mitigation profitable as well as attractive to consumers and constituents. The same can’t be said for adaptation.

The focus here on the need for increased adaptation resources does not overshadow the urgent need for significant resources to be put towards drastic mitigation measures. However, as explained in Primer One – Mitigation, the responsibility for mitigation falls upon Northern countries and corporations, whereas countries like Bolivia are forced to adapt to consequences created elsewhere. Therefore, Bolivia’s main concern is to access adaptation funds.

Even once funds are secured for adaptation, their effectiveness to address the needs of vulnerable countries is not automatic. In order to create lasting change, adaptation funds must go beyond technical fixes and be used to address the complex and interrelated systemic causes of vulnerability, including inequality and the exclusion of the poor from decision making. Moreover funds, technology, and training must be designated to assist developing countries in creating low-carbon

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¹ The reasons for this are many, but include the drop in the market price of carbon shares, revealing one of the flaws associated with market-based funding mechanisms.
development strategies that are designed to secure income at the same time as improving the infrastructure of countries to meet current and future need. This is known as the “mitigation debt,” that Northern countries owe to the South. (See Primer Two – Adaptation)

However, it is becoming increasingly obvious that funding for adaptation and mitigation alone will have limited results. Funding must also be directed towards compensating the irreversible losses and damages from climate change.

The harshest impacts of climate change will make it impossible for normal life to continue on many parts of the planet, resulting in large-scale migration. This includes low-lying island states that will disappear from rising sea-levels, as well as areas of Bolivia where food production and survival will become impossible due to desertification and water scarcity. Therefore, increasing pressure is mounting for the UNFCCC to open discussions around rehabilitation and compensation mechanisms for these losses and damages. Such mechanisms would need to address everything from disaster preparedness and risk reduction to insurance, response and compensation for loss.

**Campaigns and Proposals**

There are a number of global campaigns where Bolivia can engage with groups in the Global North to raise its voice on the importance of finance for adaptation. These campaigns have two central messages. First, the principle of climate debt leaves no doubt as to which countries are responsible for providing funds for adaptation: those that caused the problem. Given the strategic resistance of Northern countries and corporations to fess up and fork over (not to mention mitigate), intellectuals, activists, and policy makers have developed a series of proposals for generating funds. As mentioned in Primer Two, these proposals vary by region and need, and include regional taxes on aviation fuel (adopted to some extent by the European Union), a global financial transaction tax (commonly known as the Tobin Tax), and other “polluter-pays” schemes. Emphasis is placed on the importance of funds being new and additional to existing development funds (ODA) as well as funds being predictable. Not without weaknesses, these proposals aim to distribute costs among those responsible for climate change without derailing the global economy. Even so, these “reasonable” measures are often sidelined by the highest-emitters, who push for illegitimate market-based offset mechanisms instead (see Climate Finance Governance, below).

The second message of climate finance campaigns is that it is in everyone’s best interest to generate funds and start spending on climate change as soon as possible. Immediate mitigation actions by Northern countries and corporations, combined with funding for preventative adaptation measures, will greatly reduce the quantity of funds that are needed in the future for adaptation, loss and damage. Given that the need for funds will only increase as climate change progresses, this argument plays to the precautionary principle and urges strategic planning. Working within the UNFCCC mechanism, groups are pushing for the post-2015 development agenda to include

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2 Once again, as in the case of mitigation, the current contribution of the BRICS countries to causing climate change is growing, which will increase their future responsibility towards addressing the adaptation and climate finance needs of low-emitting countries.
a component on loss and damage. Funding could be channeled through the existing Adaptation Fund and Least Developed Countries Fund, and eventually the Green Climate Fund. Outside of the UNFCCC, campaigns push for national governments to incorporate adaptation and loss and damage measures into country planning and budgets. Certain headway has been made in Bolivia to decentralize climate change policy making and spending to municipal levels. Even so, without significant funding and assistance in this process, the effectiveness of such measures will be limited.

» Climate Finance Governance

The current, albeit limited, advances around international climate finance have been mired in criticism. Hierarchical structures, non-transparent, anti-democratic decision making processes, and illegitimate funding mechanisms are just some of the concerns of global civil society and Southern countries. With what will eventually be billions of dollars flowing to developing country governments and institutions, sound governance in climate finance is the only way to ensure that funds effectively reach the most vulnerable populations. Current flaws in the mobilization, management, and disbursement of funds put the future of climate finance, and the populations that depend on it, at risk. Bolivia and other countries of the Global South must be part of the conversation to ensure that the climate finance regime incorporates accountability, transparency, participation, inclusiveness, and justice into its governance principles.

Democracy in Climate Finance

There are many ways in which big-emitting countries evade their responsibility to provide funding for climate change-related activities in the global South. One of these ways is to provide funding in the form of loans, requiring recipients to pay back the money with interest. Some of the countries that favor this model include the US, Canada and Japan, plus the European Union. As mentioned in the previous section, the only multilateral funding that Bolivia currently receives for adaptation comes as a mix of donations and loans from the World Bank (see Primer Two – Adaptation). Providing loans as a way for Northern emitters to meet their climate finance responsibilities is inappropriate. Not only do loans represent a net loss for the recipient country, they often come with constraints and conditions, which overshadow national participation and sovereignty, ultimately reducing the effectiveness and legitimacy of the funds.

Another way in which funders manipulate climate finance in favor of their own interest is by channeling funds through non-democratic institutions, such as international and regional development banks. These banks are known for promoting projects, such as mega infrastructure, that prioritize economic growth (the main driver of climate change) over social and environmental goals. Development banks are also criticized for their top-down decision making that excludes

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3 The IIED policy brief “The eight unmet promises of fast-start climate finance,” outlines a number of the problems surrounding democracy in climate finance. While the IIED brief specifically targets UNFCCC fast-start finance, the concerns are relevant to other funding channels as well. See http://pubs.iied.org/17141IIED
national and local stakeholders. In the case of Bolivia, all multilateral climate funds are currently channeled through the World Bank, an institution with a less than favorable reputation in the country. In 2000, the World Bank conditioned a major loan and debt-relief package on the privatization of Cochabamba’s water supply to the transnational corporation Bechtel, which erupted into the famous Water War. Today, Bechtel’s $25 million dollar legal demand for compensation from Bolivia continues to sit behind closed-doors at the World Bank’s own International Centre for the Settlement of Investment Disputes (ICSID). The biggest fund in Latin America, the Amazon Fund, is managed by the Brazilian Development Bank, known best in Bolivia for financing the loan for the controversial TIPNIS highway project.

A third tactic employed by Northern governments to evade their climate debt responsibilities involves overall non-transparency and non-accountability in the way that funding pledges and provision are handled. This happens despite efforts within the UNFCCC framework to include “measurement, reporting, and verification of support provided to developing country Parties.” In contrast to the meticulousness with which these same countries and funders handle their own bi-lateral transactions, it can feel as though there is a deliberate effort to undermine the UN system. Donor countries fail to communicate the details of how and when funding pledges will be filled, fail to specify what funds are directed towards, fail to verify that climate funds are new and additional (and not simply reassigned Official Development Assistance), and fail to provide their “fair share” of funds (officially based on responsibility and capacity). These tactics have the intended effort of stalling the establishment of clear funding rules and enforcement. Since countries like Bolivia don’t know what funds can be expected, planning for climate initiatives is impossible, keeping progress at a near standstill.

A climate finance system that is modeled around loans, private finance institutions, and non-transparency threatens to repeat the same, top-down, non-democratic model that has thwarted development initiatives since the 1940s. Instead of redistributing resources and facilitating self-sufficiency in recipient countries, this model has only served to entrench Southern dependency and consolidate power and resources in Northern governments and transnational corporations. If climate finance is governed from the same unequal playing field, it also risks becoming donor-driven, unresponsive to on-the-ground realities, and ineffective. As it stands, the climate finance system presents a number of risks to Southern countries in its design, administration, requirements on recipients, rules governing access, and ability of governments and communities to object to proposals. While far from perfect, the UN, designed to provide equal representation for developed and developing countries, provides the most feasible alternative for climate finance governance and channeling of funds. To this end, discussions are currently taking place at the UNFCCC to make the Green Climate Fund operational.

Offset projects are not legitimate

Despite the important role of the UN in building a democratic governance structure for large-scale climate finance, existing UN funding mechanisms have come under deep scrutiny. When put into
practice, offset mechanisms like Reducing Emissions from Deforestation and Forest Degradation (REDD and REDD+) and Clean Development Mechanisms (CDM), intended to generate funding for mitigation, have resulted in a series of negative environmental and social impacts and have failed to achieve net emissions reductions. These market-based mechanisms have also been linked to questionable practices by corporations and Northern governments to turn mitigation finance into a profitable endeavor, at the expense of communities and the planet.\textsuperscript{xii}

Critics of the state of current climate finance explain that the reason why mitigation receives ten times more funding than adaptation is because the private sector hasn’t yet found a way to profit from adaptation investments. Private financing through carbon-market mechanisms, such as CDM, currently make up the majority of global climate financing. As of October 2012, there were 4,700 CDM projects registered and another 247 are seeking registration.\textsuperscript{ix} Eighteen percent of CDM projects exist in Latin America alone.\textsuperscript{x} CDM projects aim to finance sustainable development, technology transfer, and mitigation by allowing Northern companies to “offset” their emissions at home through subsidized investments in “sustainable” projects abroad. However, due to loopholes in CDM regulations and deliberate manipulation by project developers, CDM projects do not result in emissions reductions or sustainability benefits. In fact, in many cases, local populations have been harmed or displaced by CDM projects, with no mechanism to register formal complaints. Given that CDM channels private finance, many of the details are drawn up in private, without community participation or third-party monitoring. The end result is that local communities suffer in the name of bogus mitigation actions that draw on existing technology and provide additional subsidies to companies engaging in pollution and deforestation.\textsuperscript{xi}

After years of impasse in UNFCCC negotiations REDD+ became an official, regulated funding mechanism.\textsuperscript{xii} However many countries, including Bolivia, refute that REDD+ is an appropriate mechanism for forest conservation, mitigation, adaptation, and funding. Regardless of the safeguards and modifications that might eventually reform REDD+ and CDM, neither of these mechanisms addresses the root causes of climate change. Still, REDD pilot projects continue to move forward in developing countries. The track-record of these pilot projects is tainted with negative impacts and a detailed description of the failings of CDM and REDD(+) is provided in Primer One – Mitigation. Numerous REDD examples reveal the deforestation and sale of primary forest and its replacement by “carbon-efficient” monoculture plantations or intensive agricultural practices. Other horror stories involve local communities being prohibited from accessing the forest resources they depend on, so that an international corporation can earn profitable forest conservation offsets in order to continue polluting at home.\textsuperscript{xiii} There is valid concern that the financial incentives provided by REDD are already fueling land speculation and land grabs.\textsuperscript{xiv}

There are currently no CDM projects in Bolivia, but UNREDD has provided $4.7 billion dollars in REDD preparedness activities.\textsuperscript{xv} The Morales government is outspoken in its rejection of market-based finance mechanisms at home, and has taken an active stance against REDD in UNFCCC negotiations. Bolivia’s alternative proposal for forest conservation funding, “Joint Mitigation and Adaptation Mechanism for the Integral and Sustainable Management of Forests,” is an important
step toward allowing countries to receive climate finance without resorting to market mechanisms (see Primer One).

Due to the profitability of CDM and REDD for investors, there is great risk that these illegitimate schemes will continue to capture the majority of climate funds, with detrimental results for communities and the planet. In addition to leading the development of alternative climate finance mechanisms, there is the opportunity for Bolivia to take on the role of watchdog in the debate around offset projects. Although much has been done to develop social and environmental safeguards for these mechanisms, these are not in sync with local priorities and often usurp national sovereignty. Global climate justice movements must stand strong with Bolivia and other developing countries in their rejection of these illegitimate funding mechanisms.

» Access to funds

Given the scarcity of climate finance, debates surrounding access to nonexistent funds often seem futile. However, if the current experiences of developing countries and vulnerable communities with access to funds are any indicator of what is to come, it is important for countries like Bolivia to position themselves early on in these debates. Accessing funds is already something of a science, so the more that can be done in the present to shape the rules of the game, develop helpful contacts, and build capacity, the easier it will be for Bolivia to obtain funds when they become available.

One Fund or Many?

An important part of the access debate examines whether it is better to encourage funding from multiple sources, as is currently the case, or to channel all climate finance through a single, UN coordinated fund. As mentioned earlier, developing countries tend to favor a single fund, like the Green Climate Fund, in order to ensure transparent and democratic governance, a lack of excessive conditions, and clear access rules. However multiple funds, while difficult to govern and regulate, have the benefit of offering a wider variety of sources and funding possibilities. There is also no guarantee that the creation of a single fund will eliminate bi-lateral or private sources.

Giving with one hand, taking with the other?

Currently, access to multilateral climate finance by developing countries is hampered by conditions placed upon the funds, institutional weaknesses in receiving and administering funds, and the inability of funders to meet their pledges.\(^4\) Although few examples shed light for other developing countries, Senegal’s success in accessing funds through the Adaptation Fund is useful.\(^4\) The other

\(^4\) Whereas it is generally difficult for countries to access information about funding opportunities and requirements, the Senegalese government was granted funding through a direct application to the Adaptation Fund. However, in addition to the positive lessons, the case also reflects an overall non-compatibility between the climate change priorities outlined in its National Adaptation Programme of Action (NAPA) and other relevant policies, strategies, and actions of the resulting funding project. See Reddy, Trusha, “Governing Climate Finance: Critical Perspectives from Africa, Latin America and Asia,” Institute for Security Studies, September 2010.
Overarching problem with public funds pledged to the international community is that they are often dressed up as new and additional funds, when in reality they are previously designated ODA that has been reassigned to climate change. This reassignment of funds makes Northern countries appear to be meeting their climate debt responsibilities. However, reassigning funds to climate change means that recipient countries, while accessing new funds for climate change, are losing previously existing funding for other necessary programs. This reshuffling of funds comes with economic and programmatic losses, and is one of the key flaws in development finance. Countries end up adjusting their projects to meet funding requirements instead of funders adjusting requirements in order to meet local needs. In the end, limited, conditioned funds force developing countries to compete for resources that aren’t even successful in fulfilling need.

Private Funding: for those in the know...

The terms of access for bilateral and private funds present a different situation. The conditions of private funding are rarely clearly defined or understood, and often not even declared. Thus, gaining access to private funds requires prior knowledge and information about funding opportunities, and is often based on previously established or mutually-profitable relationships. It is very difficult for developing countries, let alone poor and vulnerable communities, to access information about funding opportunities and requirements. When local communities do access private funds, their lack of expertise and understanding of conditions often results in the exploitation of their rights, land tenure, and livelihoods, as they unknowingly lose out to more powerful interests, as many of the preceding examples have shown. More commonly, access to private funding is dominated by a small circle of actors with specialist knowledge. In the case of carbon offset mechanisms, like CDM, small networks of corporate, financial, and political interests have created the rules, and these same players keep all parts of the profitable funding chain “in the family.”

...rather than those in most need

Also, since private funding arrangements often take place behind closed doors, the rules of access are outside of the scope of national and local monitoring and decision-making processes. Under this structure, private funders have more liberty to determine the destination of funds, which is usually determined by the biggest return on investment. Previously identified local funding needs, if taken into account at all, are often incompatible with funder goals. Thus, access to funds is not necessarily related to recipient need. The result is that more cooperative stakeholders gain access in the rush for funds, instead of communities with the greatest need. This is evident in CDM projects, which are highly concentrated in urban areas of countries that are not the most vulnerable to climate change.
**BOLIVIA: A COUNTRY IN NEED OF CLIMATE FINANCE**

Given Bolivia’s urgent need, but limited access to climate finance, its participation is essential in the structuring of a global climate fund, as well as the development of international and national funding safeguards. With the cutting of US$3m dollars of US Global Climate Change Initiative funds in 2009, as punishment for not ratifying the Copenhagen Accord, Bolivia is increasingly more isolated from the global funding community. Using official avenues to push for democratic governance principles and safeguards to be incorporated in the Green Climate Fund Board, as well as clear access rules, is important for Bolivia. Bolivia can also join with the global civil society campaigns to bring appropriate proposals to the Fund Board.

At home, the priority needs to be on capacity building and readiness preparation at national and sub-national levels in order to be eligible and attractive to climate finance, when it appears. In addition to fomenting institutional capacity, structures must be in place to govern the dispersal of funds, once they have been received. For example, the level at which funds are dispersed, as well as facilitating participation in spending decisions, will be important for project ownership, access, and effective use of funds. National policies to decentralize decision-making and spending on adaptation to a municipal level have made headway, but the need for greater accountability is clear (see Primer Two – Adaptation). It is also necessary for Bolivia to build its own safeguards and set limits to protect its vulnerable populations and ecosystems from manipulative, profit-driven funders.

**CONCLUSION**

The conversations surrounding climate finance reveal, more than any others, the direct relationship between mitigation and adaptation, and how activity on both of these crucial fronts is mediated by a set of powerful actors. As has been shown, these actors employ a series of tactics to work within the UNFCCC negotiation process, as well as outside of official international venues, as convenient to meeting their economic interests. The overlapping issues presented in the three conversations on mitigation, adaptation, and climate finance demonstrate the necessity for Northern and Southern civil society movements to find common ground for waging climate battles. Many of these issues demonstrate that joint participation is in the mutual interests of all societies, regardless of geographical location or historical experience with climate change. The unique Bolivian context provides an illustrative case study for understanding the challenges some Southern nations face, and ways in which climate movements could build joint strategies with representatives from the global South to target the most powerful opponents of change and find genuine solutions to the biggest threat to current and future generations.
ENDNOTES


ii Ibid.


iv Ibid.


xi Ibid.

xii http://unfccc.int/methods/redd/items/8180.php

xiii http://globaljusticeecology.org/pressroom.php?ID=578

xiv Ibid.

