CLIMATE-RELATED DEVELOPMENT FINANCE IN 2016
In 2015, the international community adopted a set of ambitious climate and development goals to ensure a sustainable development pathway that ‘leaves no one behind’. Developed and developing countries must now focus on the implementation of agreed commitments. This requires immediate and ambitious action to combat climate change as part of a broader sustainable development agenda. Without climate-compatible development, hard-won development gains will be in jeopardy.

Development co-operation can play an important role in supporting developing countries in their transition to low-carbon, climate-resilient development. Examples include support for policy change, technology transfer, and strengthened enabling environments required to implement climate policies and programmes, building on and complemented by a diverse range of financial instruments.

The OECD Development Assistance Committee (DAC) Creditor Reporting System (CRS) monitors development finance targeting the objectives of the Rio Conventions on climate change, biodiversity and desertification. This brochure presents data on climate-related development finance over the period 2010-16.

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1. The statistics in this document are based on data reported to the DAC CRS as of October 2017. Data for 2016 are provisional. Detailed activity level data are available online: http://oe.cd/development-climate.
Key highlights

- Bilateral climate-related development finance, both concessional and non-concessional, surpassed USD 30 billion in 2016, continuing an upward trend from previous years. Between 2012-13 and 2015-16 the data show a growing share of activities marked as having a “significant” rather than “principal” climate objective.

- Climate-related development finance overall, both bilateral and multilateral, targeted primarily mitigation. In 2014-15, 60% of bilateral and multilateral climate-related development finance focused on mitigation only, 27% on adaptation only, and 13% on both mitigation and adaptation. The mitigation share for multilaterals alone was 73%.

- Mitigation-related development finance was allocated primarily to Lower Middle Income Countries (LMICs) (38%) and Upper Middle Income Countries (UMICs) (32%). Adaptation-related development finance was committed primarily to LMICs (32%), followed by Least Developed Countries (LDCs) and other Low Income Countries (LICs) (29%). LDCs and LICs recorded the highest share of adaptation-related development finance over the total development finance received (8%).

- Asia accounted for the highest share (46%) of climate-related development finance commitments, followed by Africa (26%). The mitigation-adaptation split varies by region. Mitigation-related activities were predominant in Europe (74%), Asia and America (both 67%). Oceania and Africa were the regions with the highest shares of climate-related development finance targeting adaptation (50% and 35%, respectively). Small Island Development States (SIDS) and countries in Sub Saharan Africa received the highest per capita adaptation-related development finance.

- Five sectors accounted for nearly three-quarters (73%) of climate-related development finance, with the energy sector accounting for the largest share (29%), followed by the transport and storage (16%) and agriculture, forestry and fishing (11%) sectors. Across all sectors, the financial instruments accounting for the highest share of climate-related development finance was loans (69%). For the infrastructure sectors, the share of loans was 83% in energy, 95% in transport and storage, and 72% in water supply and sanitation.

- The share of total development finance targeting adaptation is highest for Least Developed Countries and other Low Income Countries, with grants being the predominant instrument.
Bilateral climate-related development finance continues to rise and reached USD 30 billion in 2016

Bilateral climate-related development finance reached USD 30.2 billion in 2016, continuing an overall upward trend from previous years. Activities that targeted climate change mitigation or adaptation as a primary or “principal” objective represented 32% of this total (USD 9.8 billion).

The data show a growing share of commitments with a “significant” climate objective; in 2010-11, 40% (USD 7.2 billion) included a significant climate objective while in 2016, this share was 68% (20.4 billion). Since 2010 there has been a continual increase in the volume of development finance with a significant climate objective whereas 2016 exhibited a first-time drop in the volume of development finance with a principal climate objective.

In the period considered, 97% of bilateral climate-related development finance was reported as Official Development Assistance (ODA). The remaining 3% represent Other Official Flows (OOF).

Note: Data for bilateral climate-related development finance for 2016 is provisional. Data for total Official Development Assistance for 2016 was not available at the time of this analysis.
Most bilateral climate-related development finance targets adaptation or mitigation as a “significant” climate objective in 2015-16

The volume and share of activities with a significant climate objective increased for both adaptation and mitigation:

- **For adaptation**, activities with a significant objective increased from USD 6.6 billion (68%) in 2012-13 to USD 11.0 billion (76%) in 2015-16.

- **For mitigation**, activities with a significant objective more than doubled from USD 4.9 billion (33%) in 2012-13 to USD 12.1 billion (58%) in 2015-16.

While the focus on activities with significant climate objective has been a consistent feature of adaptation-related development finance, it represents a change for mitigation-related development finance, where a principal objective so far has represented the major share.
Both bilateral and multilateral climate-related development finance target primarily mitigation.

In 2014-15, climate-related development finance committed by multilateral institutions amounted on average to USD 21.1 billion, compared to USD 25.9 billion committed by bilateral providers. The majority of multilateral climate-related finance (73% or USD 15.4 billion) targeted mitigation-only objectives, while for bilateral providers this was the case for half of their climate finance commitments (50% or USD 12.9 billion).

Activities focused exclusively on adaptation represented 29% (USD 7.5 billion) of bilateral commitments compared to 24% (USD 5.0 billion) of multilateral commitments. The share of climate-related development finance targeting both adaptation and mitigation objectives is higher for bilateral providers. This may in part be explained by the different accounting methodologies used.

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2. This chart and subsequent charts cover both bilateral and multilateral climate-related development finance. At the time of this analysis, data for multilateral finance was available up to 2015.

3. The Rio markers methodology is used by bilateral providers and several multilateral institutions; Multilateral Development Banks apply their own joint climate finance reporting methodology.
Asia accounts for the largest share of climate-related development finance commitments

In 2014-15, Asia received almost half (46% or USD 19.5 billion) of climate-related development finance commitments. Two-thirds of these commitments focused on mitigation. While Europe received a small share of total commitments (12%), it had the highest share of activities that focused on mitigation only (74%).

Commitments to Africa totalled USD 11.0 billion (26%), of which about half (51%) focused on mitigation only compared to around a third (35%) that targeted adaptation only. The focus on adaptation was greatest in Oceania, with 50% of commitments focused on adaptation only, and 9% on both adaptation and mitigation.

Note: This figure excludes data not allocated to national countries and territories (USD 4.2 bn).
During 2010-15, per capita, cumulative adaptation-related finance was highest for LDCs and other LICs, and in particular for SIDS.

During 2010-15, cumulative climate-related development finance reported to the OECD totalled USD 76 billion for mitigation and USD 56 billion for adaptation. Most mitigation-related commitments were made to Lower Middle Income Countries (LMICs) (USD 38 billion) and most adaptation-related commitments to Least Developed and other Low Income Countries (LDCs and other LICs) (USD 22 billion). Per capita, cumulative adaptation-related finance was 3-4 times higher for LDCs and other LICs than for LMICs and UMICs. As an illustration, vulnerable Small Island Developing States (SIDS) received some of the highest per capita cumulative allotments for adaptation on a country basis, yet adaptation funding for SIDS was estimated to be only about half of their stated needs during 2011-14.

4. Multilateral Development Banks have reported their climate-related development finance to the DAC since 2013. Population data are from UNDESA Population Division for 2015.

Cumulative development finance for adaptation shows considerable variation across countries and regions

**GEOGRAPHIC DISTRIBUTION OF CUMULATIVE ADAPTATION-RELATED DEVELOPMENT FINANCE IN PER CAPITA TERMS (2010-2015)**

During 2010-15, cumulative adaptation-related development finance per capita averaged USD 9.2 across recipient countries, with the top 15 recipient countries receiving more than USD 300 each. SIDS are not easily visible on the map, but have been among the highest recipients over this period on a per capita basis, averaging USD 62 per person over all SIDS. Sub-Saharan Africa (SSA) received an average of almost USD 19 per person in cumulative adaptation-related development finance, or about double the average across all recipient countries. Nevertheless, vulnerable countries in SSA (and other regions) have significant unmet adaptation needs. It has been estimated that current adaptation costs in developing countries (USD 56-73 billion) likely exceed international public finance for adaptation (USD 22.5 billion) by a factor of 2-3, and that by 2030 total adaptation finance needs (USD 140-300 billion) will be 6-13 times greater than current levels from international public sources.

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6. Multilateral Development Banks have reported their climate-related development finance to the DAC since 2013. Population data are from UNDESA Population Division for 2015.

Mitigation-related development finance is concentrated in Middle Income Countries, provided primarily in the form of loans.

In 2014-15, mitigation-related development finance commitments were concentrated in LMICs (38%) and UMICs (32%), primarily in the form of loans (over 85% for each). Mitigation-related development finance for LMICs and UMICs also accounted for higher shares of total development finance flowing to these country groupings (approximately 16% each). LDCs and other LICs received 15% of mitigation-related commitments, with grants and loans in roughly equal shares (45% and 55%, respectively). Their share of total mitigation-related climate finance was comparatively lower at around 8%.
The share of adaptation-related development finance commitments is highest for Least Developed Countries and other Low Income Countries, with grants being the predominant instrument.

### ADAPTATION-RELATED DEVELOPMENT FINANCE BY INCOME GROUP AND INSTRUMENT

**2014-2015 AVERAGE**

<table>
<thead>
<tr>
<th>Income Group</th>
<th>USD billion, commitments, constant 2015 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Developed and other Low Income Countries</td>
<td>5.4 billion</td>
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<tr>
<td>Lower Middle Income Countries</td>
<td>6.0 billion</td>
</tr>
<tr>
<td>Upper Middle Income</td>
<td>3.8 billion</td>
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<tr>
<td>Unallocated and Regional</td>
<td>3.8 billion</td>
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</tbody>
</table>

Across all income groups, almost half of adaptation-related development finance commitments took the form of grants (48%). The share is higher for LDCs and other LICs (61%) than for LMICs (25%) and UMICs (27%). USD 3.8 billion in grants was directed towards transnational and regional projects and institutions and is categorised as "Unallocated and Regional".

LDCs and other LICs received USD 5.4 billion of adaptation-related development finance in 2014-15, accounting for over 8% of total development finance committed to this income group, and 29% of total adaptation-related development finance. LMICs received USD 6.0 billion (32% of total adaptation-related development finance), accounting for 7% of total development finance. UMICs received the least amount of adaptation-related development finance, both in absolute terms and as a share of total development finance.
Five sectors account for over 73% of climate-related development finance

**TOP SECTORS RECEIVING CLIMATE-RELATED DEVELOPMENT FINANCE**
2014-2015 AVERAGE

<table>
<thead>
<tr>
<th>Top sectors' volume and share of climate-related development finance</th>
<th>Share of development finance targeting climate objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD 13.5 bn (29%) Energy</td>
<td>44% mitigation, 2% adaptation, 54% non-climate</td>
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<tr>
<td>USD 7.4 bn (16%) Transport and Storage</td>
<td>23% mitigation, 4% adaptation, 73% non-climate</td>
</tr>
<tr>
<td>USD 5.1 bn (11%) Agriculture, Forestry and Fishing</td>
<td>8% mitigation, 25% adaptation, 8% both mitigation and adaptation, 59% non-climate</td>
</tr>
<tr>
<td>USD 4.4 bn (9%) General Environmental Protection</td>
<td>23% mitigation, 21% adaptation, 29% both mitigation and adaptation, 28% non-climate</td>
</tr>
<tr>
<td>USD 4.1 bn (9%) Water Supply and Sanitation</td>
<td>4% mitigation, 25% adaptation, 3% both mitigation and adaptation, 68% non-climate</td>
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</tbody>
</table>

In 2014-15, the energy sector accounted for the largest volume (USD 13.5 billion) and share (29%) of climate-related development finance, followed by the transport and storage and the agriculture, forestry and fishing sectors. Among these top recipient sectors, the degree of targeting of climate objectives ranges between 27% for transport and storage and 73% for general environmental protection.

In the energy and transport and storage sectors, mitigation is the overwhelming focus of climate-related development finance. Adaptation features more prominently in the agriculture, forestry and fishing, general environmental protection, and water supply and sanitation sectors.
Loans dominate climate-related development finance in infrastructure sectors

Loans accounted for the majority of bilateral and multilateral climate-related development finance (69% over all sectors). Their share was even higher for infrastructure sectors, representing 83% for energy (USD 11.2 billion), 95% for transport and storage (USD 7.0 billion), and 72% for water supply and sanitation (USD 2.9 billion).

In comparison, grants made up the majority of climate-related development finance for general environment protection (68% or USD 3.0 billion) and agriculture, forestry and fishing (53% or USD 2.6 billion).
Beyond official development finance, 26% of finance mobilised from the private sector in 2012-15 targets climate change objectives.

A series of OECD surveys (2013-2016) show that bilateral and multilateral providers of development finance mobilised USD 81.1 billion of private finance during 2012-2015, of which USD 21.3 billion (26%) targeted climate mitigation and/or adaptation from the five instruments shown in the figure. USD 17.2 billion (81% of the four-year climate total) targeted mitigation only, USD 0.6 billion (3%) adaptation only and USD 3.5 billion (16%) targeted both. In terms of leveraging mechanisms, 41% of the private finance targeting climate change was mobilised through guarantees, followed by syndicated loans (27%), shares in Collective Investment Vehicles (CIVs) (15%), credit lines (9%) and direct investment in companies (8%). For more information: http://oe.cd/privfin

A separate OECD survey on Global Private Philanthropy shows that philanthropic foundations gave USD 23.4 billion for development purposes over the period 2013-15. Of this total USD 1.5 billion (6.5%) was identified as contributing to climate change mitigation, adaptation or both. For more information: http://oe.cd/devfoundations
Notes

The OECD, through its Development Co-operation Directorate, collects data on development co-operation targeting the policy objectives of the 1992 Rio Conventions on climate change, biodiversity and desertification through its Creditor Reporting System (CRS). Reporting on climate change mitigation, biodiversity and desertification became mandatory for members of the Development Assistance Committee (DAC) in 2006 and on climate change adaptation in 2010.

For each activity reported to the CRS, DAC members indicate whether it targets the objectives of the Rio Conventions as a ‘principal’ or ‘significant’ objective. Activities marked ‘principal’ would not have been funded but for that policy objective; activities marked ‘significant’ have other prime objectives but have been formulated or adjusted to help meet the policy objective. Through this scoring system the markers provide an indication of the degree of mainstreaming of environmental considerations into development co-operation portfolios. As such, they are considered descriptive rather than strictly quantitative.

Since 2013, seven large Multilateral Development Banks (MDBs) have reported project-level data on their climate-related development finance to the DAC through the identification of climate components within projects, based on a joint MDB methodology. Data on Rio marked climate finance from a few climate-specific funds and programmes is also available. This allows for the publication of consolidated activity-level data for bilateral and multilateral climate-related development finance from 2013 onwards.

This analysis presents statistics on climate-related development finance from bilateral and multilateral partners that report to the DAC. All data in this publication includes Official Development Assistance (ODA) and Other Official Flows (OOF) and refers to commitments, where available. For bilateral providers, unless otherwise indicated, the analysis takes into account principal and significant objectives together. At the time of this analysis, bilateral data for 2016 was provisional. In some cases the provisional 2016 data was provided in aggregated form only and for this reason could only be used in the first two graphs. Multilateral data was only available up to 2015. All data presented is in 2015 constant prices.

For more information and for the download of the complete datasets see http://oe.cd/development-climate
An integrated system for tracking and reporting environment-related development finance

For more information:
http://oe.cd/RioMarkers
http://oe.cd/development-climate
http://www.oecd.org/dac/financing-sustainable-development

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December 2017