

CLIMATE-RELATED DEVELOPMENT FINANCE IN 2015

The adoption of the 2030 Agenda and the Paris Agreement on climate change committed the international community to a set of ambitious goals, intended to achieve sustainable development and 'leave no one behind'. This requires immediate and ambitious action to combat climate change as part of a broader sustainable development agenda. Development finance can play an important role to support developing countries to transition to low-carbon, climate-resilient development. It operates, for instance, through technical assistance to support countries to strengthen enabling policies and institutional capacity, and through more direct financial support to mitigation and adaptation activities, such as renewable energy and resilient water supply services.

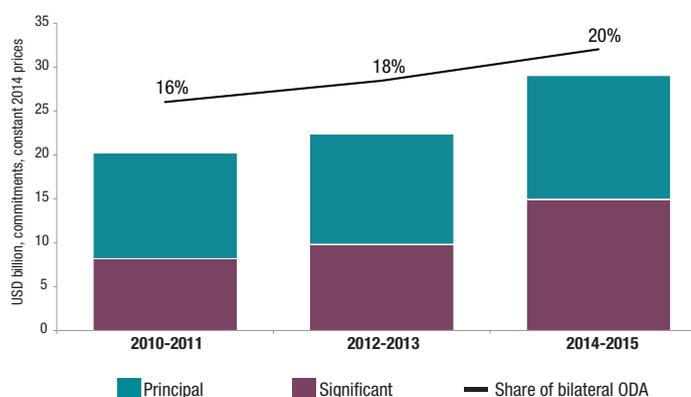
Bilateral climate-related Official Development Assistance (ODA) has seen a steady increase

Bilateral climate-related ODA¹ by members of the OECD Development Assistance Committee (DAC) reached **USD 29.0 billion per year in 2014-15**.²

- 49% (USD 14.3 billion) addressed mitigation only;
- 29% (USD 8.4 billion) addressed adaptation only;
- 22% (USD 6.3 billion) addressed both adaptation and mitigation.

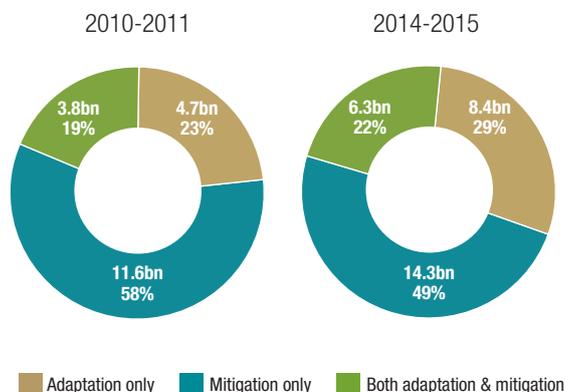
In 2014-15, **49% (USD 14.1 billion per year) targeted climate change adaptation and/or mitigation as a primary or 'principal' objective**; this is considered the 'lower bound' of ODA reported as climate-related. For the remaining **51% (USD 14.9 billion per year), climate change considerations are a 'significant' objective**, indicating the mainstreaming of climate objectives within development co-operation portfolios. Under the UNFCCC, provider countries typically report only a portion of activities marked 'significant'.

BILATERAL CLIMATE-RELATED ODA
Two-year averages



Note: 2015 total ODA commitment data are not yet available. The share of bilateral ODA for 2014-15 is therefore based on 2014 data only.

ALLOCATION OF BILATERAL CLIMATE-RELATED ODA
Two-year averages



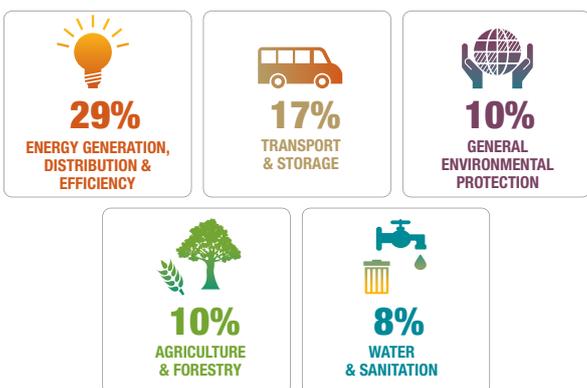
Mitigation activities remain a dominant share of bilateral climate-related ODA

In developing countries' Nationally Determined Contributions (NDCs), adaptation activities are often seen as integral to the achievement of their development objectives, yet the adaptation targets are in some cases conditional on the availability of external financing. Bilateral climate-related development finance targeting adaptation only has seen an increase, both in relative terms from **23% in 2010-11 to 29% in 2014-15**, and in absolute terms from **USD 4.7 billion to USD 8.4 billion per year** respectively. In comparison, finance allocated to mitigation only has increased from an average of **USD 11.6 billion in 2010-11 to USD 14.3 billion in 2014-15**; in relative terms the share has decreased from **58% to 49%**. Over the same period, the share of activities that address both adaptation and mitigation has increased from **19% in 2010-11 to 22% in 2014-15**, or from **USD 3.8 billion to USD 6.3 billion per year**.

1. Climate-related development finance by members of the OECD DAC excludes support for coal.

2. These statistics are based on data reported to the OECD DAC Creditor Reporting System (CRS) as of October 2016, based on the [Rio marker approach](http://oe.cd/RioMarkers). Data for 2015 are provisional. Detailed activity level data are available online: <http://oe.cd/RioMarkers>.

Key economic sectors dominate bilateral and multilateral³ climate finance



In 2013-14, bilateral climate-related development finance – ODA and non-concessional climate-related finance (Other Official Flows) – by members of the OECD DAC totalled USD 25.0 billion per year. During the same period, multilateral climate-related development finance⁴ reached USD 21.7 billion per year, representing around a fifth (19%) of total multilateral flows, or nearly half (46%) of total climate-related development finance.

Key economic sectors – energy, transport, water supply and sanitation, and agriculture and forestry – receive around two thirds of climate-related development finance. This is largely driven by mitigation projects in the energy and transport sectors, and by adaptation projects in the water supply and sanitation and in the agriculture and forestry. For agriculture and forestry, a considerable share of the finance targets both adaptation and mitigation objectives (20% and 36% respectively). General environmental protection, as a cross-cutting sector that supports institutional and enabling policy reforms, accounts for a significant share of total climate finance.

Majority of bilateral and multilateral climate portfolios target mitigation

Activities that target adaptation objectives only, account for 27% of bilateral climate-related development finance. While this share is higher than that allocated for adaptation in multilateral portfolios (22%), two thirds of bilateral projects targeting adaptation are marked ‘significant’, i.e. they are climate-resilient projects with other development objectives as their primary focus.

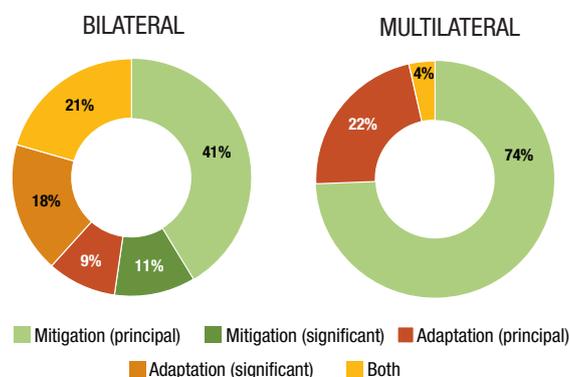
Activities targeting mitigation objectives, constitute the vast majority of multilateral climate finance (74%), while in bilateral portfolios, mitigation only accounts for over half (52%). In comparison to adaptation, bilateral projects targeting mitigation only are mainly marked as ‘principal’ (79%), reflecting the primary focus on large projects aiming to reduce greenhouse gas emissions.

In 2013-14, LDCs and other LICs received 20% of total climate-related development finance

Lower and Upper Middle Income Countries (LMICs and UMICs) received 69% of mitigation finance, compared to 15% allocated to Least Developed Countries (LDCs) and other Low Income Countries (LICs). LDCs and other LICs received a relatively higher share of adaptation finance (30%) compared to that of mitigation, and compared to the other income groups. Still, this accounts for less than the share allocated to LMICs and UMICs combined (46%).

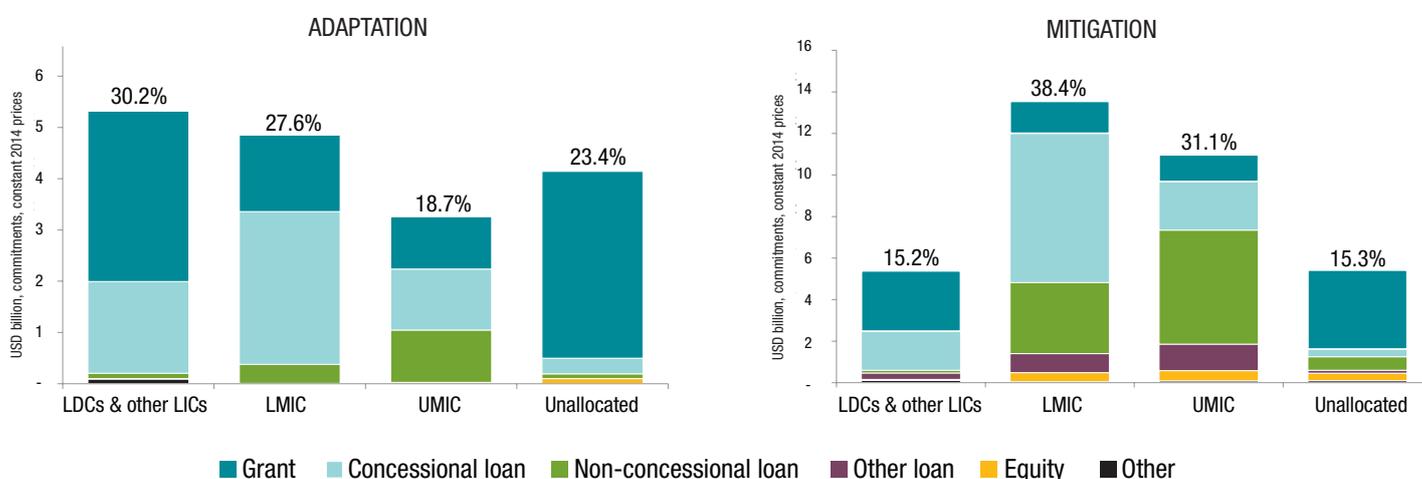
LDCs and other LICs received a higher proportion of grants for both adaptation (62%) and mitigation (54%) compared to LMICs (31% adaptation; 11% mitigation) and UMICs (31% adaptation; 12% mitigation).

BILATERAL AND MULTILATERAL CLIMATE-RELATED DEVELOPMENT FINANCE, 2013-14 AVERAGE
Commitments (percent of total)



Note: The differentiation between principal and significant applies to bilateral climate-related finance only.

CLIMATE-RELATED DEVELOPMENT FINANCE BY INCOME GROUP AND INSTRUMENT TYPE, 2013-14 AVERAGE
Commitments (USD billion and percent of total)



Note: ‘Other loan’ includes loans for which information on concessionality is not available. ‘Other’ includes interest subsidy, other securities/claims and unclassified instruments.

3. Multilateral climate-related development finance includes project-level data from: seven multilateral development banks (MDBs) who follow joint reporting methodologies (AfDB, ADB, EBRD, EIB, IADB, IFC, WB), the IsDB who is not part of the joint MDB reporting, and five climate-specific and related funds (AF, CIFs, GEF, IFAD and NDF). Multilateral climate finance for 2015 is not yet available in the OECD CRS.

4. The MDB statistics are based on MDBs’ reporting to the OECD DAC and may differ from data published by MDBs in their joint report.