

# Climate- and environment-related development finance

## Finding synergies for environment and development finance

External development finance plays a key role to support developing countries in their transition to a low-carbon, climate-resilient and environmentally sustainable development pathway. Delivery of such finance occurs through technical assistance to strengthen enabling environments and build capacity in developing countries, and through direct support to climate change and environmental activities.

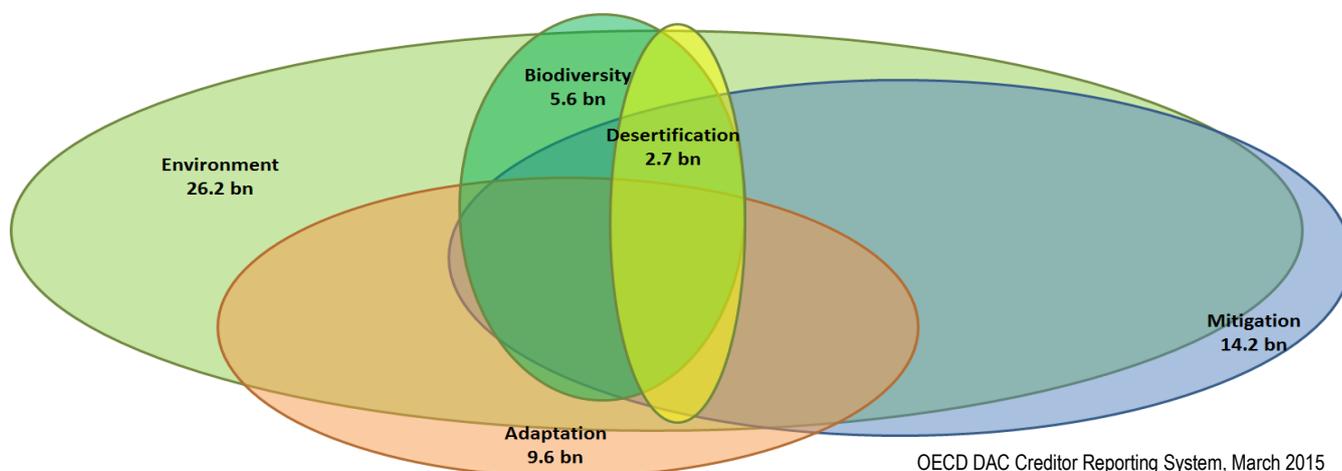
*Climate change, environment and development are intrinsically linked*

Climate change, environment and development are intrinsically linked. The design of the Sustainable Development Goals (SDGs) is grounded in the recognition of the fundamental interdependence of these issues. Environmental considerations are broadly reflected in the holistic nature of the proposed SDGs; achieving these goals will thereby require an integrated approach.

The causes and solutions to biodiversity, climate change, desertification and other environmental concerns are intertwined. For example, climate change is a driver of biodiversity loss and desertification. Approaches to mitigating and adapting to climate change can help combat both biodiversity loss and desertification, while the conservation of biodiversity and ecosystem services can contribute to climate change mitigation, adaptation, and to combatting desertification. As such, “green” external development finance is often designed and delivered to achieve multiple environmental objectives (Chart 1). In 2011-13, 64% of green development finance targeted at least two environmental objectives simultaneously.

**CHART 1. The multiple objectives of environmental ODA, 2011-13**

Three-year annual average, bilateral commitments, USD billion, constant 2013 prices



## The OECD DAC provides a statistical foundation for environment-related development finance

The OECD Development Assistance Committee (DAC)’s robust statistical measurement and monitoring framework places climate- and environment-related development finance in the broader context of financing for development.

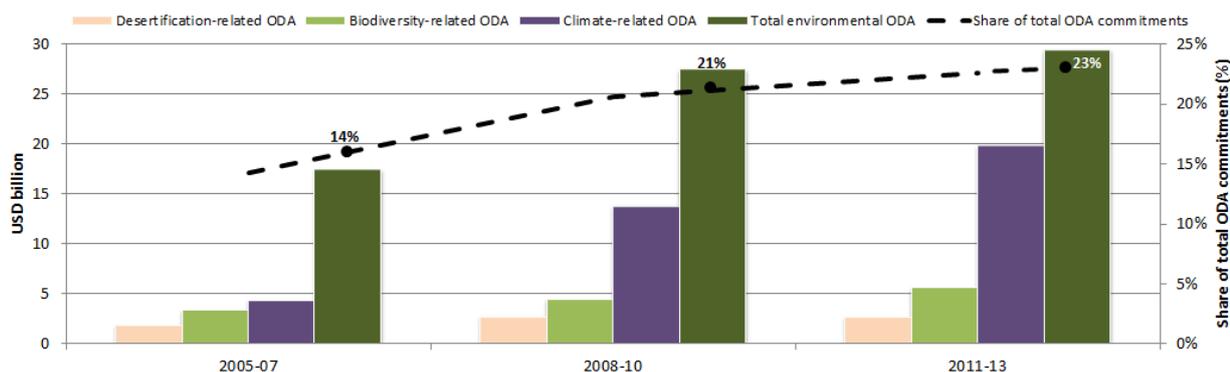
Robust measurement and reporting frameworks are required to boost transparency and accountability, in order to help build trust and support better decision-making. Creating a framework that connects the reporting requirements of the OECD DAC, the UNFCCC and Post-2015 on development finance will ensure consistency of data reported in these different fora, limit transaction costs and improve the quality of information provided. It is important to build on existing systems and not create duplication and divergences across these; the DAC statistical system can provide an important statistical foundation.

## Development finance for the environment is on the rise

**Development finance for the environment – and especially for climate change – is on the rise**, indicating that environmental sustainability is an increasing priority in bilateral development co-operation. This trend is driven by international commitments under the Rio conventions on biodiversity, climate change, and desertification. Over the past decade, total bilateral Official Development Assistance (ODA) commitments targeting the global and local environment, as either a *principal* or *significant* objective, has increased at a steady pace reaching USD 29.4 billion on average per year in 2011-13, representing 23% of total bilateral ODA commitments by OECD DAC members (Chart 2).

**CHART 2. ODA to the environment, 2005-13**

Three-year annual averages, bilateral commitments, USD billion, constant 2013 prices



OECD DAC Creditor Reporting System, March 2015

Note: "Total environmental ODA" includes biodiversity, climate and desertification-related ODA identified by the Rio markers, and environment-related ODA based on the environment marker. Many activities target multiple environmental objectives; the total environmental ODA adjusts for this to ensure there is no double counting. Reporting became mandatory for DAC members from 2007 flows.

## Climate-related development finance in 2013

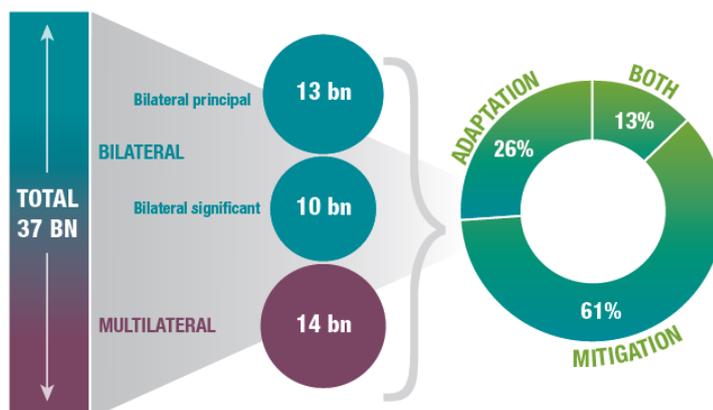
Financing climate change and development in an integrated manner can maximise climate and development results, targeting both climate and sustainable development goals.

Total bilateral and multilateral climate-related external development finance to developing countries reached USD 37 billion in 2013 (as recorded in OECD DAC statistics) (Chart 3).

Of which USD 23.0 billion (61%) addresses mitigation only, USD 9.6 billion (26%) adaptation only, and USD 4.8 billion (13%) consists of activities designed to address both adaptation and mitigation.

**CHART 3. Climate-related development finance in 2013**

Commitments, USD billion



Note: Aggregate figures reflect bilateral Official Development Assistance (ODA) and Other Official Flows (OOF) from members of the OECD DAC and the United Arab Emirates, identified as targeting climate change as either a principal or significant objective based on the "Rio markers", and climate-related multilateral flows from seven Multilateral Development Banks and the Global Environment Facility.

## Improving the statistical picture

**For the first time, OECD DAC statistics capture an integrated picture of both bilateral and multilateral climate-related external development finance flows.** This increases transparency through the collection and publication of detailed activity-level information. In addition, this provides an improved recipient-level perspective, avoids double-counting and supports consistency and robustness through the use of a statistical system with standardised definitions and bases of measurement.

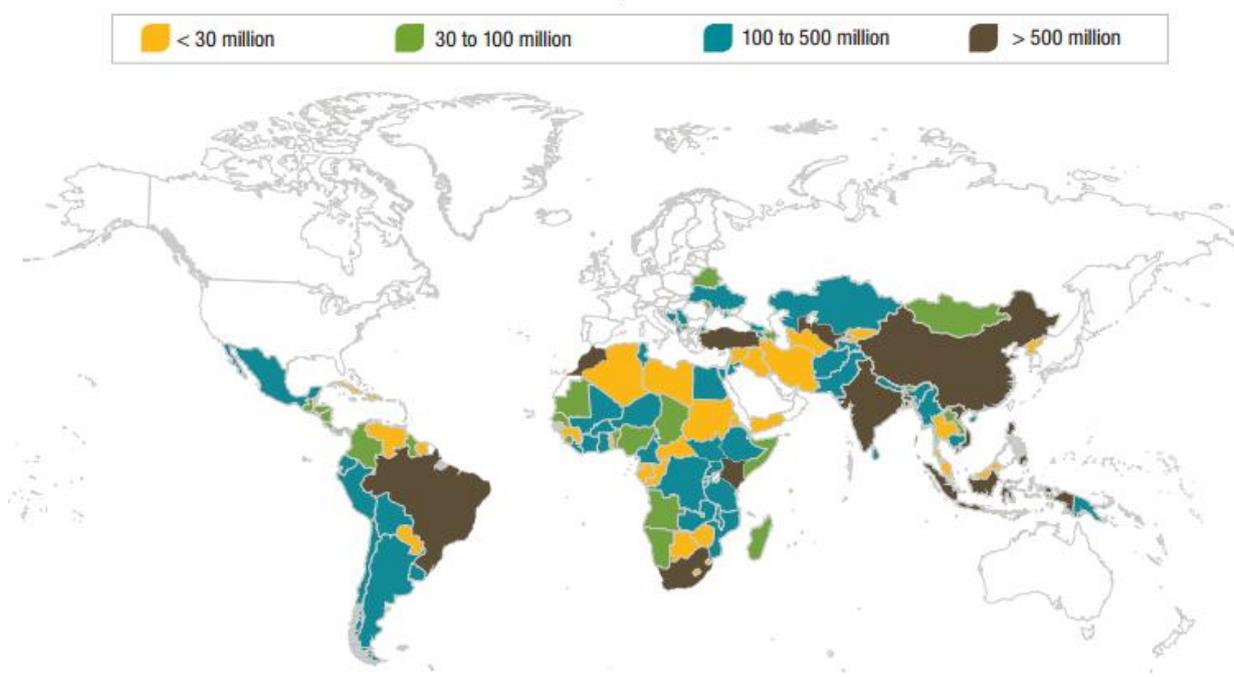
**Financing climate change is broader than the USD 100 billion goal:** accounting for climate-related development finance is broader than what is reported as climate finance in National Communications and Biennial Reports to the UNFCCC. Many OECD DAC members, when reporting towards their quantified UNFCCC goals, draw on their climate-related development finance, as reported to the DAC, but only count a share of this. For more details, see OECD DAC Statistics (2014) “Climate-related development finance in 2013 – Improving the statistical picture”.

## Where is climate-related development finance going?

The Asian region is the largest recipient of climate-related development finance flows (40%), in particular of mitigation-related finance – reflecting the high greenhouse gas emission reduction opportunities in these rapidly growing economies (e.g. India, Bangladesh and China). Africa is the second largest region (30%), largely driven by development finance to countries in the sub-Saharan region (notably South Africa, Kenya and Cote d’Ivoire), and significant commitments to Morocco and Egypt (Chart 4).

**CHART 4: Climate-related development finance by recipient in 2013**

*Commitments, USD million 2013*



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

**The allocation of funding differs for mitigation and adaptation projects:** Middle-income countries are the largest recipient group of mitigation-related development finance (80%), while for adaptation a higher share is allocated to least developed and other low-income countries (45%).

## OECD DAC ENVIRONMENT & RIO MARKERS

OECD DAC statistics measure and monitor official development finance from DAC members in support of environmental issues, such as finance to local environmental objectives tracked since 1992, and finance targeting the global objectives of the Rio conventions since 1998. Data are reported by members of the OECD DAC, collected through the "Creditor Reporting System" (CRS) and identified as using the "environment" and "Rio markers", where providers are requested to indicate for each development finance activity whether or not it targets environmental objectives. There are four Rio markers, covering: biodiversity, desertification, climate change mitigation, and climate change adaptation, in addition to the environment marker.

A scoring system of three values is used, in which official development finance activities reported to the DAC CRS are screened and "marked" as either (i) targeting environmental concerns as a "principal" objective or (ii) as a "significant" objective, or (iii) not targeting the objective. These markers indicate providers' policy objectives in relation to each development finance activity. Activities marked as having a "principal" objective would not have been funded but for that objective; activities marked "significant" have other prime objectives but have been formulated or adjusted to help meet the relevant environmental concerns.

The markers provide an indication of the degree of mainstreaming of environmental considerations into development co-operation portfolios. In marking the full value of development finance activities the markers are considered descriptive rather than strictly quantitative, but allow for an approximate quantification of development finance flows that target the Rio convention objectives. In marker data presentations the figures for flows targeting objectives as principal or significant can be shown separately and the sum referred to as the "total" or "upper bound" of environmental-related development finance.

## REFERENCES

OECD DAC Statistics on Climate- and Environment-related Development Finance

<http://oe.cd/RioMarkers>

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OECD-led Research Collaborative on Tracking Private Climate Finance

[www.oecd.org/env/researchcollaborative](http://www.oecd.org/env/researchcollaborative)

## VISIT OUR WEBSITE FOR:

- Interactive data visualisation portals for climate, biodiversity and desertification
- Access to activity-level data
- Three minute video introducing the Rio markers
- Statistical flyers on climate-, biodiversity- and desertification-related development finance
- Statistical definitions and user guides
- Information on the Task Team to improve the Rio Markers and development finance statistics

<http://oe.cd/RioMarkers>