

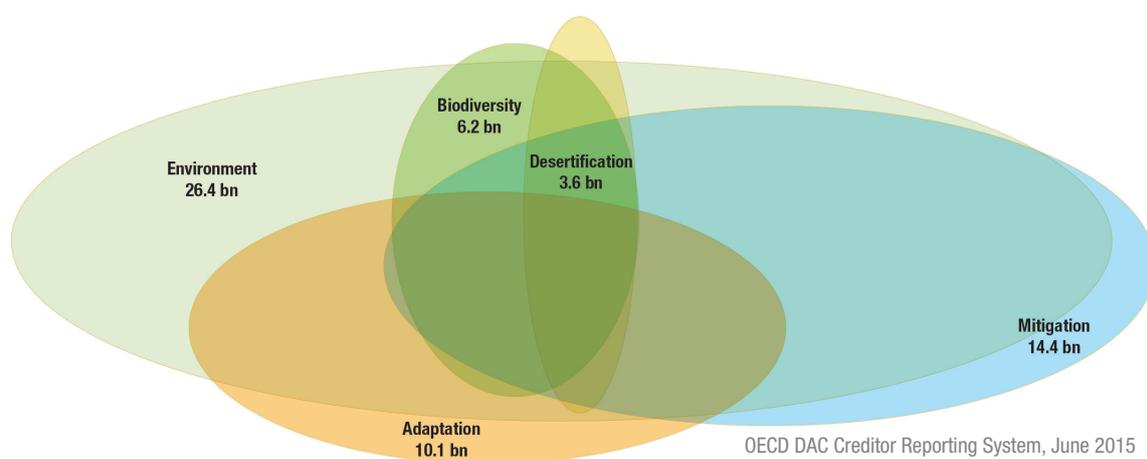
Environment and development finance: Capturing synergies for sustainable development

Climate and development actions are sustainable development actions, and climate and development finance is sustainable development finance – they are intrinsically linked in the solutions they support

The Sustainable Development Goals (SDGs) recognise the fundamental interdependence of climate change with concerns for the environment, and for social and economic development. Development finance plays a key role in helping developing countries transition to the low-carbon, climate-resilient and environmentally sustainable pathways needed to achieve the SDGs. Integrating financing for climate change and development can maximise results in both areas.

Similarly, environmental concerns – such as biodiversity loss, climate change and desertification – are intertwined, both in their causes and their solutions. For example, climate change is a driver of biodiversity loss, desertification and water stress. Tackling these environmental challenges through common solutions can save money and time, and indeed, development finance targeting the environment often delivers multiple objectives (Figure 1). Between 2011 and 2013, more than half (57%) of “green” development assistance targeted at least two environmental objectives simultaneously.

FIGURE 1. THE MULTIPLE OBJECTIVES OF ENVIRONMENTAL ODA, 2011-13
Three-year annual average, bilateral commitments, USD billion, constant 2013 prices



Green development finance includes technical assistance that supports developing countries in strengthening enabling environments and building capacity, as well as direct support to climate-change and environmental programmes and activities.

Dialogue helps clarify the role of development finance in achieving sustainable development

To understand policy trends and needs, the OECD is hosting a series of dialogues on post-2015 sustainable development and the environment, including one focused on green finance on climate action. Participants in the dialogues discuss effective means of mobilising a full range of financial resources to support climate action and sustainable development – domestic and international,

public and private. They identify key areas for action, such as creating enabling conditions and putting in place policy reforms. They also promote learning from past development experiences to inform actions to deliver both climate and sustainable development benefits.

Overarching messages from these dialogues to date include:

- Financing for sustainable development can promote long-term transformation to a low carbon, resilient and sustainable future.
- All countries will need to embed the SDGs in their country planning and policies to ensure that finance can be effectively allocated to meet their social, economic and environmental needs.
- Sustainable finance needs to focus on delivering outcomes that improve peoples' lives and wellbeing.
- In making the transition to a sustainable pathway, OECD member countries, middle-income countries and least developed countries can learn from each other. No country has yet achieved sustainable development, and challenges such as adapting to the impacts of climate change are relatively new to all countries.
- We must recognise each country's starting points and contexts, as well as their own development aspirations.
- Country ownership, in accordance with the principles of aid effectiveness, will over time improve the results of climate and sustainable development actions (e.g. by ensuring that climate finance is associated with country-led strategies and planning, rather than channelled to stand-alone projects). The real proof of the SDGs will lie in their implementation at the country level.
- Financing for sustainable development is about aid, investment and tax – not just aid – but also about policy coherence. Progress cannot be made by supporting solar energy on the one hand and subsidising fossil fuels on the other.
- Transparency and accountability are integral to monitoring commitments and are essential to enhancing trust and to supporting better actions and outcomes.

The OECD provides a statistical foundation to monitor commitments and build trust

The OECD Development Assistance Committee (DAC) maintains a robust statistical measurement and monitoring framework, with publicly accessible data covering activities from the global to the project level. It places climate- and environment-related development finance in the broader context of financing for development.

Some advantages of the DAC system are:

- It uses standardised definitions and bases of measurement across bilateral and multilateral channels. This supports the consistency and robustness of the data and avoids double-counting.
- It can help to ensure consistency of data reported in different fora (e.g. the OECD DAC, the United Nations Framework Convention on Climate Change or UNFCCC, the Convention on Biological Diversity, the United Nations Convention on Combatting Desertification and post-2015 development finance), thereby avoiding duplication of effort, limiting costs and ensuring quality of information.
- By tracking climate change and other environmental objectives within development co-operation portfolios, it provides an indication of the degree of mainstreaming of environmental considerations into development (see Box 1).
- It allows for an approximate quantification of an important share of development finance flows targeting the objectives of the Rio Conventions, including the measurement of progress towards the UNFCCC goal: that developed parties jointly mobilise USD 100 billion of climate finance per year by 2020 in support of climate action in developing countries. This climate finance is expected to come from a wide variety of sources: public and private, bilateral and multilateral, and alternative sources.
- Because it covers more activities and higher volumes of finance than that reported as climate finance through National Communications and Biennial Reports under the UNFCCC, many DAC members use the DAC figures as a starting point to report on their progress towards the USD 100 billion goal (see Box 1).
- On climate change, it captures an integrated picture of both bilateral and multilateral climate-related development finance flows to developing countries. In 2013, these reached USD 39.7 billion, of which USD 24.6 billion (62%) addressed mitigation only, and USD 10 billion (25%) adaptation only; USD 5.1 billion (13%) was allocated to address both adaptation and mitigation (Figure 2).

The OECD also co-ordinates a Research Collaborative aiming to develop and assess approaches to estimating private climate finance mobilised by developed country action. We are sharing our expertise with the international community on both the relevant international finance flows, and the implications of different methodologies for estimating mobilised climate finance.

Box 1. The OECD DAC environment & Rio markers

The OECD DAC has tracked finance to local environmental objectives since 1992 and finance targeting the global objectives of the Rio Conventions since 1998. Data reported through the Creditor Reporting System (CRS) are identified by DAC members as targeting the “environment” and/or the four “Rio markers”: biodiversity, desertification, climate change mitigation and climate change adaptation.*

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

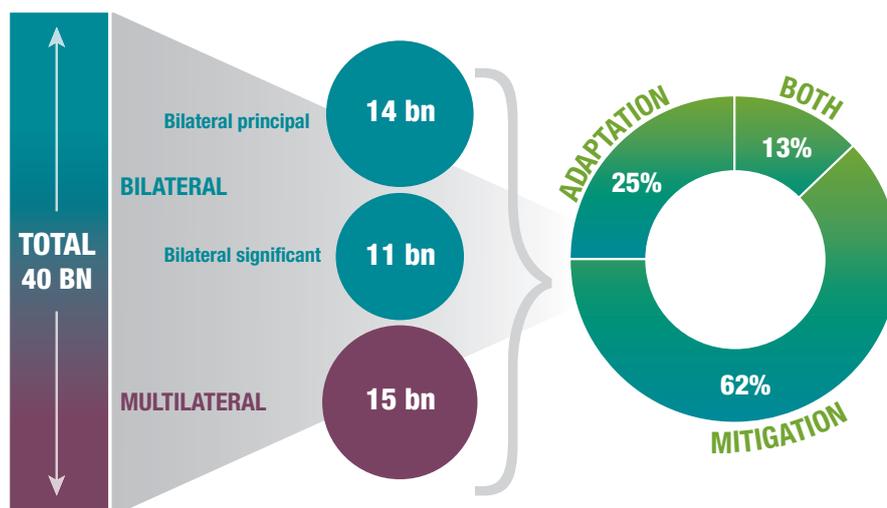
The markers provide an indication of the degree of mainstreaming of environmental considerations into development co-operation portfolios. Because they reflect the full value of development finance activities, the markers are descriptive rather than strictly quantitative; nonetheless, they allow for an approximate quantification of development finance flows targeting the Rio Convention objectives. In marker data presentations the figures for flows targeting objectives as principal or significant can be shown separately and their sum referred to as the “total” or “upper bound” of environmental-related development finance.

On climate change, UNFCCC reporting by DAC members is often partly based on Rio marker climate data, however it may not be directly comparable at a country level. The reasons for this vary by country, but it can be because the country reports only a share of what is marked as “significant” as well as because they report on other sources of public climate finance or on private climate finance.

* This flyer includes an update from figures published in March 2015 to reflect data recently submitted by the United States. The United States provided Rio marked data for the period 2010-14 in May 2015. Processing of these data is ongoing and thus the figures may change.

Although these statistics do not reflect directly what is reported to the UNFCCC, they provide an important overview of the diverse public sources of climate-related development finance. The DAC’s collection and publication of detailed activity-level information increases the transparency of climate-related development financing and also provides an improved recipient-level perspective by identifying where development finance is flowing.

FIGURE 2. CLIMATE-RELATED DEVELOPMENT FINANCE IN 2013
Commitments, USD billion



Source: OECD DAC Statistics (2015)

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, the Global Environment Facility, the Adaptation Fund and the Climate Investment Funds (CIFs).

Where is climate-related development finance going?

The pattern of geographic allocation of development finance differs for mitigation and adaptation projects. Adaptation appears to be a growing priority in development assistance portfolios, with the largest shares and volumes of adaptation-related development finance going to sub-Saharan Africa, Far East Asia (excluding China and Indonesia) and South and Central Asia (Figure 3). By comparison, small island developing states (SIDS), which are amongst the most vulnerable to climate change, receive the highest amount of adaptation-related bilateral ODA on a per capita basis (Figure 4). While middle-income countries are the largest recipient group of mitigation-related development finance (80%), for adaptation a higher share is allocated to least developed and other low-income countries (45%).

FIGURE 3. SUB-REGIONAL BREAKDOWN OF ADAPTATION-RELATED ODA
2013 bilateral commitments, USD billion

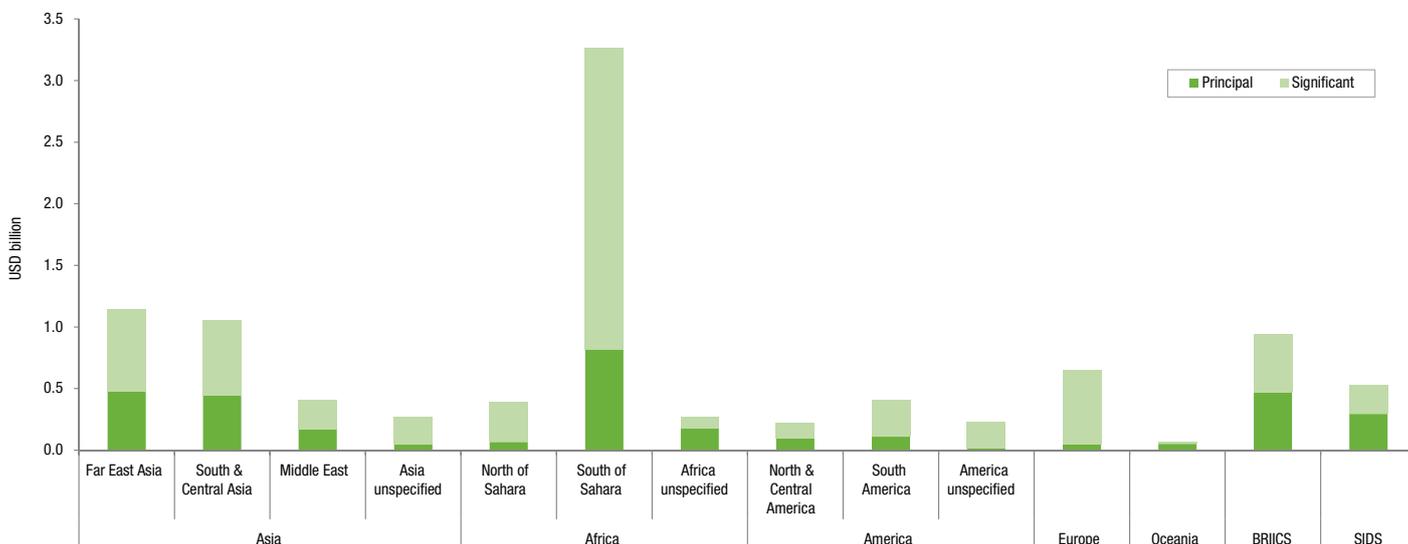
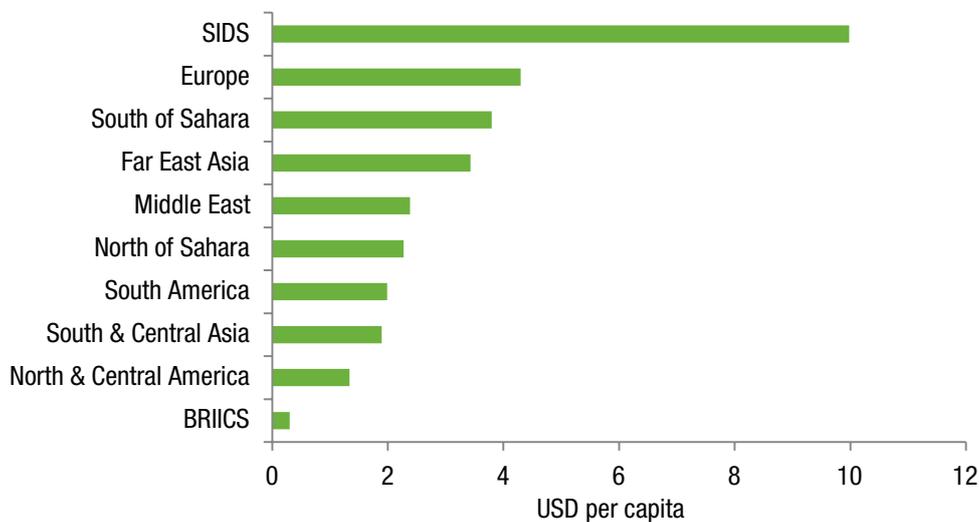


FIGURE 4. SUB-REGIONAL BREAKDOWN OF ADAPTATION-RELATED ODA PER CAPITA
2013 bilateral commitments, USD per capita



Source: OECD DAC Creditor Reporting System, June 2015

Note: SIDS (small island developing states, as defined by the United Nations) and BRIICS (Brazil, India, Indonesia, People's Republic of China and South Africa) have been taken out of their respective regions to form these specific groups. For example, Brazil is not also included in South America figures, and the Maldives is not included in the "South and Central Asia" figures.

VISIT OUR WEBSITE FOR:

- Interactive data on climate, biodiversity and desertification-related development finance
- Activity-level data
- A three-minute video introducing the Rio markers
- Statistical flyers on climate-, biodiversity- and desertification-related development finance
- Statistical definitions and user guides
- Information on efforts to improve the Rio Markers and development finance statistics
- Working papers and analysis that draw upon the DAC statistics and what we can learn from them