

Climate finance and poverty

Exploring the linkages between climate change and poverty evident in the provision and distribution of international public climate finance

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Picture: Gian Betancourt/CIAT

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Executive summary

Climate change is among the greatest global development challenges of the 21st century. From the global to the local scale, climate change affects and threatens economic and human development. It risks undermining efforts towards sustainable development, including progress on the eradication of poverty, everywhere and in all its forms. The links between climate change and poverty are recognised in global processes, including the Sustainable Development Goals and the Paris Agreement.

This report explores the international public climate finance flows from developed to developing countries. It provides new, detailed breakdowns of international climate investments and provides evidence on how well these recognised links between climate change and poverty are reflected in the provision and distribution of international public climate finance.

Key findings

International public resources to tackle climate change are increasing. We estimate that the total amount flowing to developing countries in 2014 was US\$48.9 billion. Increases in support from development finance institutions and in the proportion of official development assistance that is targeted towards climate change suggests an overall recognition of the links between climate change and poverty.

However, climate–poverty linkages are not reflected in the allocations of climate finance. Support remains concentrated in a handful of countries (in 2014 36% of support to developing countries went to just five – India, Turkey, Morocco, Brazil, and Bangladesh). Furthermore, the distribution of international support is not in line with either the distribution of poverty or the overall distribution of vulnerability to climate change.

- Just under half of the global population living in extreme poverty is located in countries vulnerable to climate change. Despite this, allocations of adaptation finance do not prioritise the countries most vulnerable to the impacts of climate change: in 2014 total adaptation approvals were greatest to the 49 countries with mid-range vulnerability scores. Some of the most vulnerable countries such as Eritrea, Guinea-Bissau, Sierra Leone and Liberia received particularly little.
- The 14 countries with the deepest levels of poverty (over 20%), received among the lowest amounts of total adaptation finance – a 2014 average of US\$56 million per country, compared to an average of US\$73 million in 67 countries with poverty depths of less than 5%. Support was especially low to Micronesia, Lesotho and Togo.

- Countries with the highest vulnerability to climate change and the lowest domestic revenues to build capacity to respond receive some of the smallest amounts of adaptation finance.
- While mitigation finance is distributed fairly proportionately against patterns of greenhouse gas emissions, support is lacking to a number of countries with significant mitigation needs and relatively few domestic resources, including the Democratic Republic of the Congo and Nigeria – each also home to high populations of extreme poor.

Climate change threatens to reverse progress towards poverty eradication and to create new forms of poverty. For this reason it is vital that resources aimed at tackling climate change are allocated after careful consideration of their impacts on the world's poorest. International adaptation finance in aggregate remains low and underfunded relative to need. This report highlights that even these limited resources are not being allocated where needs are greatest and argues that such assessments should inform future allocation decisions of climate finance and other resources, particularly the distribution of official development assistance.

The report also argues that, while mitigation finance does not have a mandate to target those in poverty, it is vital that mitigation strategies are

developed with an acute awareness of their impact on those populations. This is essential if the goals and ambitions of the Paris Agreement and Sustainable Development Agenda are to be achieved – particularly where mitigation needs overlap with high rates of poverty.

Lastly, better understanding is required of the comparative advantages of the multitude of climate finance mechanisms and programming, to appropriately target the optimum mix of financing to achieve both climate and poverty goals. Such an understanding requires better data on both the provision of resources and their impact, and the distribution of poverty and vulnerability. More broadly, greater visibility on all climate finance is needed to better inform tracking efforts, and hold donors' existing and future financing commitments to account.

Acronyms

Agenda 2030	the 2030 Agenda for Sustainable Development
CFU	Climate Funds Update
CO₂	carbon dioxide
COP 21	Conference of Parties 21
CPI	Climate Policy Initiative
CRS	Creditor Reporting System (DAC)
DAC	Development Assistance Committee (OECD)
DFI	development finance institution
INDC	intended nationally determined contribution
INGO	international non-governmental organisation
LDC	Least Developed Country
MDB	Multilateral Development Bank
MtCO₂e	million tonnes of CO ₂ equivalent
ND-GAIN	University of Notre Dame's Global Adaptation Index
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal



Introduction

Climate change is among the greatest global development challenges of the 21st century. From the global to the local scale, climate change affects and threatens economic and human development. It risks undermining efforts towards sustainable development, including progress on the eradication of poverty, everywhere and in all its forms.

In this report, we aim to share evidence on how well the recognised links between climate change and poverty are reflected in the provision and distribution of international public climate finance. We explore international public climate finance flows from developed to developing countries likely to have some mandate for development or poverty eradication, including official finance from development finance institutions, climate-specific funds and official development assistance (ODA) directly from donor government agencies.

The report combines data from the OECD (Organisation for Economic Co-operation and Development) and CFU (Climate Funds Update) to produce a large dataset that details 80,000 projects from 176 different providers since 2005. Using this data we explore the characteristics of finance from major providers and assess how well their support reflects the established linkages between poverty and climate change. Around 50% of the finance captured in our assessment is reported as ODA, which is an especially important resource for countries facing the greatest joint challenges of sustained poverty levels, adapting to the worst effects of climate change and transitioning to lower-carbon economies.

Climate change and poverty: long-established linkages

The global ambition to eradicate poverty builds on progress in reducing

extreme poverty – halving from 1.9 billion in 1990 to around 836 million in 2015. However, it is recognised that eradicating poverty will be much more difficult than it was to halve it and the effects of climate change provide a significant challenge to the ambition.¹ In fact, recent estimates illustrate that, without appropriate mitigation action, about 720 million people could fall back into poverty due to uncurbed climate change over 2030–2050.² If climate change is not addressed, the cost of adaptation is also likely to become unsustainable. In the shorter term, it is estimated that climate change could add 100 million extremely poor people to current levels by 2030 if adequate development policies are not put in place and vulnerability reduced.³

Climate change disproportionately affects developing countries and people living in poverty, who generally have lower economic, social and institutional resources to call upon. Poverty limits adaptive capacity⁴ and the ability to mitigate risks derived from climate change. For those vulnerable, climate change impacts and related shocks can create a cycle of poverty from which it is difficult to escape.

These linkages between climate change, poverty and vulnerability are well known and it is increasingly recognised that integrated approaches can bring mutual benefits for development, poverty reduction and climate change action. In 2015, the 2030 Agenda for Sustainable Development (Agenda 2030) and the Paris Agreement signed at the Conference of Parties 21 (COP 21) set the landscape of global development and climate change action for the next decade. They tighten the relationships and make more explicit the overlaps between efforts to address climate change and to build a more equitable and poverty-free world.

Agenda 2030 sets eradicating poverty as an indispensable requirement for sustainable development. Its first goal, to end poverty in all its forms everywhere, includes the target to “build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events”. In Goal 13, Agenda 2030 also calls for urgent mitigation and adaptation action to tackle climate change and its impacts.⁵

The Paris Agreement secured a global commitment to limit global temperature increases to well below 2 degrees Celsius above pre-industrial levels and to strive to limit temperature rises below 1.5 degrees Celsius. It aims to “strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty” (article 2) and includes provisions to adapt to climate change and foster low-carbon, sustainable development.⁶

Finance targets

Agenda 2030 and the Paris Agreement both emphasise the importance of financial and other resources in delivering the vision of the sustainable future they depict. Both affirm the role of development cooperation and stress the need to mobilise significant and adequate resources to assist developing countries specifically.

Following international recognition of the need for support for climate action in developing countries, an international climate finance target was agreed at the 2009 conference of the UN Framework Convention on Climate Change (UNFCCC). Developed countries – in accordance with the principle of common but differentiated responsibilities and respective capabilities – committed themselves to a goal of jointly mobilising US\$100 billion a year by 2020 to address the

needs of developing countries. Due to limited transparency on developed countries' performance against this target, the Paris Agreement proposed that a road map to reach the target by 2020 should be defined. The agreement also made provisions to establish the US\$100 billion as a minimum for future contributions, with a new higher goal to be agreed before 2025.

Adaptation and mitigation funding needs in developing countries vary. At the global level, the UNFCCC estimates that between US\$28 billion and US\$67 billion, in addition to existing resources, is required per year for adaptation alone. Above US\$200–210 billion per year would be needed to reduce CO₂-equivalent emissions by 25% below 2000 levels in 2030.⁷

Climate finance encompasses a range of finance from multiple sources with a diverse set of purposes. Not all resources have an explicit mandate to address poverty. Rather, different types of finance perform different functions in different countries and sectors. The Paris Agreement and the UNFCCC's standing committee on finance call for a mix of international support, balanced between mitigation and adaptation. It urges developed countries to assist developing countries through different instruments, for example finance, technical cooperation, knowledge sharing and the sharing of climate technologies.⁸

Importantly, while all resources have a role to play in the pursuit of the Sustainable Development Goals (SDGs) and climate goals, international public finance can be targeted directly towards investments needed to reduce poverty, and has the greater potential to support action in the poorest and most vulnerable countries. For this reason we focus on international public finance in this report, and consider how well the recognised

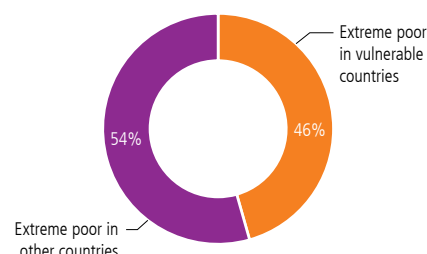
links between climate change and poverty are reflected in the provision and distribution of international public climate finance.

Poverty and vulnerability to climate change: adaptation

People in poverty and their livelihoods – both urban and rural – are more vulnerable than others to climate-related shocks such as floods, droughts, reduced agricultural productivity, extreme weather events and increasing incidence of tropical diseases.⁹ Of the estimated 897 million people living in extreme poverty, around half are located in vulnerable countries – where country-level exposure and sensitivity to climatic changes, and lack of adaptive capacity increase the potential for adverse impacts (Figure 1). In the shorter term adaptation to climate change is crucial. Adaptation action has the potential to prevent the worst consequences of climate shocks already being felt and set to increase, and to strengthen the resilience of the poorest people.

FIGURE 1
Almost half (46%) of the global population living in extreme poverty is in countries vulnerable to climate change

Extremely poor population in vulnerable countries (millions of people and % of global total)



Source: Development Initiatives based ND-GAIN and PovcalNet.

Notes: Extreme poor based on the international extreme poverty line of PPP\$1.90/day, 2012. Vulnerability based on ND-GAIN vulnerability scores, 2014. Countries with scores above 5 (upper two quintiles) have been described as vulnerable.

Poverty and greenhouse gases: mitigation

Mitigation action is critical to limiting the future severity of climate change and its impacts, including on poverty trends. The Paris Agreement commits both developed and developing countries to cut greenhouse gas (GHG) emissions. Based on historical contributions, developed countries have a primary responsibility to cut emissions. In line with the principle of 'common but differentiated responsibilities', developing countries also have a responsibility to reduce their emissions, taking into account their specific national circumstances.

Developing countries¹⁰ currently account for 61% of global emissions (including land-use change and forestry). China alone accounts for 23% of global emissions, India 6%, Indonesia and Brazil 4% each. Developed countries collectively account for 39% of annual GHG emissions (including from land-use change and forestry sources) with the United States accounting for 12% and the European Union for 9%. Per capita emissions for a number of high- and middle-income countries such as Kuwait, Brunei and Qatar are also particularly high. Achieving zero net emissions thus requires the involvement of all countries.

Developed countries have an additional responsibility to provide support to developing countries through financial and other forms of cooperation. This is particularly important for Least Developed Countries (LDCs) and small island states due to the limited capacity of these countries and the climate change impacts that they suffer. External support is paramount to increase the ambition of the contributions that developing countries can make to tackle climate change. This is especially relevant as current intended nationally determined contributions

(INDCs)¹¹ are not sufficient to prevent temperature rises above 2 degrees Celsius, let alone 1.5 degrees Celsius.

Mitigation action encompasses a variety of activities which play different roles in different countries. These can include, for example, reducing fossil fuel emissions, encouraging renewable alternatives and tackling deforestation. International support for mitigation action is most needed in countries where emissions are high (or where equivalent carbon losses are great) but domestic capacity for mitigation is lowest. While domestic policy will drive action in these countries, international support plays an essential role.

There are a number of countries where both climate mitigation efforts and numbers of people living in poverty are high, and some of these countries are already receiving substantial investments of international mitigation finance (as discussed below). Particular attention is needed here to ensure that climate and development objectives are coherent – that they at least do not undermine progress and at best are mutually supporting. Such places provide opportunities to incorporate people in poverty into green growth, low-carbon strategies, creating virtuous circles of sustainable growth. Conversely, in the absence of such coherence, people living in poverty in these countries risk facing the blunt end of mitigation efforts, undermining past progress in poverty reduction and exacerbating the challenge of future poverty eradication.

Identifying climate finance

Assessing the scale, distribution and adequacy of climate finance is a challenging task. A common technical definition of climate finance does not exist. Climate finance is generally understood as the collection of financial resources directed toward initiatives that aim to mitigate the

severity of climate change, promote transition to less carbon-intensive economies, and reduce the impacts of climate change through adapting to the altered conditions it creates. But a more specific definition is not available and there is variation in the sources, resources and uses included or excluded in any assessment.

In practice, climate finance includes a mix of local, national and international resources that come from public and private sources. These flow through a multitude of intermediaries, instruments and implementing agencies in an ever-evolving landscape. Data on climate finance is available from multiple sources but a single repository of data does not exist. Improving reporting practices on climate flows would be highly beneficial to improve transparency and accountability of these flows.

Due to the absence of a common definition of climate finance and the complexity of its sources, estimates vary of how much is available. The Climate Policy Initiative (CPI) provides the most reliable estimates of the global climate finance landscape. For 2014, it estimates a total volume of US\$392 billion. This includes finance from private sources, development finance institutions (DFIs) and other international public finance, but excludes domestic public resources. The vast majority of this total is shown to be raised and spent in the same country (74% of the total). Of the total amount, US\$151 billion is from public sources and US\$241 billion from private sources. The CPI estimates that flows of public climate finance from developed to developing countries are relatively small and amounted to US\$46–64 billion in 2014.¹² Based on commitments, the OECD predicts that this amount will increase to US\$67 billion in 2020.¹³

To explore international public climate finance, Development Initiatives has combined multiple data sources¹⁴ to produce a unique composite dataset of about 80,000 climate-finance projects funded by 176 providers since 2005. It includes project-level spending data for bilateral government agencies, bilateral and multilateral development finance institutions (DFIs), and bilateral and multilateral climate-specific funds (see Annex 1 for our complete methodology). The resulting dataset provides as detailed a picture as possible of international public climate finance flows from developed to developing countries. While the dataset is not exhaustive of all climate finance, it covers many of the public flows from major providers that are relevant for both climate change and poverty reduction. Other assessments do capture spending from a greater number of sources, though not all offer detail at the project level.



Unbundling international public climate finance

How much is there and who provides it?

Tracking climate finance is inherently difficult. Disparate reporting and differing definitions affect the availability and detail of data on international public climate finance (see Annex 2 for more detail on these challenges). Estimates of global climate finance such as that of the Climate Policy Initiative (CPI) agree that flows from developed to developing countries are relatively small. They include finance from development finance institutions, climate funds and bilateral donor government agencies.

The total amount of international public climate finance flowing to developing countries captured by our own dataset amounts to US\$48.9 billion in 2014 (Figure 2).¹⁵ This volume has grown steadily since 2007 (when it was US\$4.2 billion). This increase results from the growth of commitments from government donor agencies from US\$1.4 billion to US\$19.8 billion between 2005 and 2014, equating to an average annual growth rate of 45%.

Finance from multilateral DFIs bolsters the 2013 and 2014 totals with

approvals similar in volume to those from donor government agencies. Between these two years multilateral DFIs' approvals increased by US\$5.4 billion – from US\$16.7 billion to US\$22.1 billion, making DFIs the greatest provider type. Approvals from all other sources, namely bilateral and multilateral climate-specific funds, were much smaller (US\$11.6 billion) over the same period. Of these, multilateral were much larger than bilateral climate specific funds, and have more than doubled from less than a million to US\$2.1 billion between 2005 and 2014. The increasing and significant support provided by DFIs for climate-related action suggests that the link between climate change and development priorities is indeed recognised at least to some degree in their pattern of financing.

While all climate finance plays a role, official development assistance (ODA) – the official resource flows dedicated to the promotion of economic development and welfare of eligible developing countries – and similar flows have particular potential to support poverty reduction efforts. This includes through supporting key sectors, building institutional capacity

in developing countries and leveraging other forms of finance. ODA is also a key resource in the prevention of and response to humanitarian crises, including to climate-related disasters.

While ODA is small relative to other international resources flowing to developing countries in aggregate,¹⁶ the proportion reported as being relevant or related to climate change objectives has grown considerably in recent times. In recent years many providers of development assistance have mainstreamed climate-related objectives in their programming. This is evident in the growing proportion of ODA disbursements reported to have climate-change-related objectives identified using the Rio markers (Box 1), which increased from a base of 1.1% in 2005 to a peak of 9.92% in 2013 (Figure 3). These flows amounted to US\$16.4 billion in 2014, having grown from US\$1.4 billion in 2005. Disbursements peaked in 2013 at US\$16.6 billion.

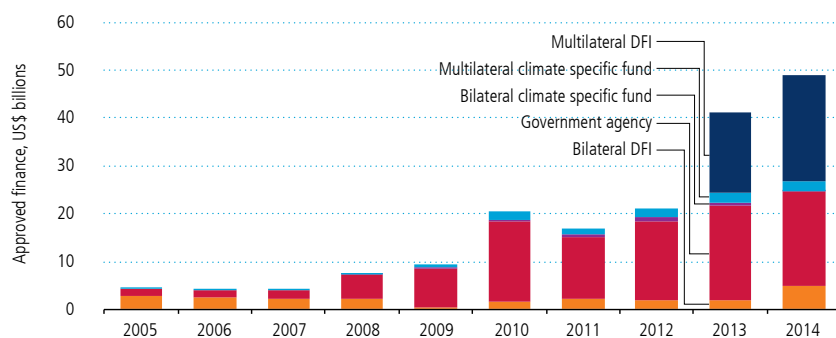
Looking at total reported ODA, data shows that the amount marked as relevant to both adaptation and mitigation objectives has increased significantly over the past ten years. Mitigation ODA grew rapidly (by 3.5 times) between 2005 and 2009, since when it has remained at a similar level. ODA marked for adaptation, and ODA marked as *both* adaptation and mitigation has continued to grow since 2010, when the adaptation marker was introduced.

As with the increase in finance from DFIs, the significant increase in development assistance being spent on climate finance suggests increasing recognition of the links between climate change and the development agenda. In addition to more climate-related programming in development assistance, the growth of ODA marked as relevant for climate change reflects better reporting to the DAC CRS and

FIGURE 2

Over 2013 and 2014, approvals from government agencies and multilateral DFIs far outweighed those from other providers

Major climate finance providers, 2005–2014



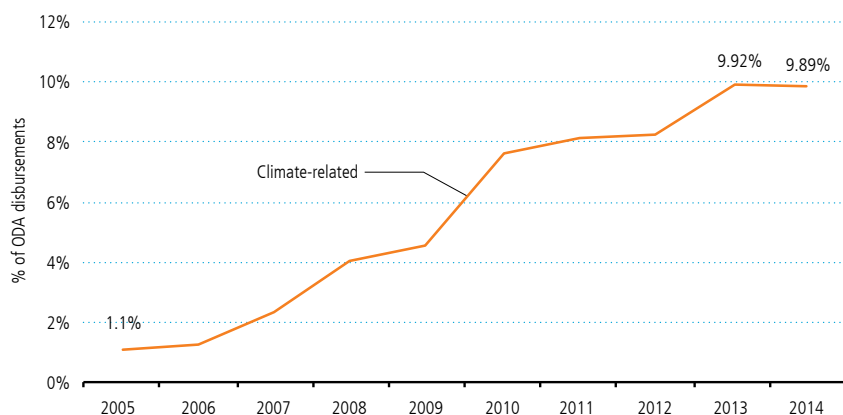
Source: Development Initiatives based on OECD DAC and CFU.

Notes: Amounts based on approvals and commitments. Data for multilateral DFIs available for only 2013 and 2014. Amounts presented in constant 2014 prices.

FIGURE 3

Of all ODA, 10% is now spent on climate-related projects

Percentage of ODA disbursed to climate-related projects, 2005–2014



Source: Development Initiatives based on OECD DAC.

Notes: Percentage share based on gross disbursements marked as either principal or significant to climate adaptation, climate mitigation, or both.

better use of the Rio markers (Box 1). Another underlying change is an increasing recognition of the adaptation and mitigation benefits of existing development interventions.

What is it spent on?

Mitigation and adaptation resources can play different roles in poverty reduction. The role of adaptation

finance in the context of poverty is to build the resilience and adaptive capacity of vulnerable populations so that they might cope with climate change impacts. Such efforts have the potential to prevent or reduce the impacts of climate change on people, which might otherwise push them into poverty or make those already in poverty even poorer.

Reducing global emissions is critical to limiting the scale of climate change in the longer term, and reducing the longer-term potential for continued severe impacts. In the nearer term mitigation investments, in renewable energy or reforestation for example, have the potential to stimulate economic growth which in turn might improve national progress on poverty.

International public climate finance has historically been greatest to mitigation investments and our data confirms that mitigation consistently accounts for the majority of approvals, reaching US\$30.4 billion in 2014, against US\$11.3 billion for adaptation and US\$7.3 billion for mixed projects (Figure 4). Mitigation accounted for 62% of total climate finance flows over 2013–2014, while adaptation accounted for just under a quarter (24%), and mixed projects for 15%. Each type of provider has concentrated resources on mitigation without exception, although the extent of this concentration varies between providers. Multilateral and bilateral DFI climate finance is heavily concentrated on mitigation activities (74% and 77% respectively). Donor government agencies (48%) and bilateral climate

BOX 1

The Rio markers

Data on climate-related ODA is taken from the OECD DAC CRS (Organisation for Economic Co-operation and Development, Development Assistance Committee, Creditor Reporting System), where all ODA is reported. ODA relevant to climate change is identified using the OECD DAC's Rio markers. These markers are used by reporting organisations to signal the policy objectives of a project. There are Rio markers for both adaptation and mitigation objectives, and any project can be marked as relevant to either or both. Reporters can also mark a project as having either a significant or principal climate change adaptation or climate change mitigation policy

objective, signalling the extent to which any project is relevant. Projects marked as 'Principal' have adaptation or mitigation as a key objective, whereas projects marked as 'significant' have other key objectives and have been adjusted to incorporate climate concerns.

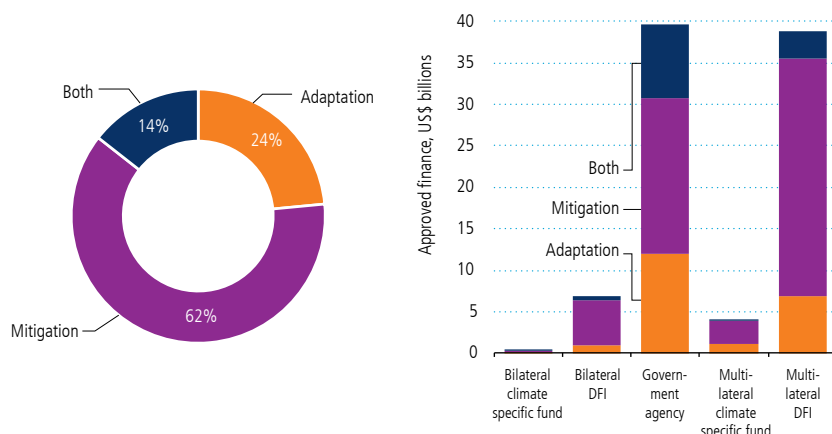
The Rio marker for climate change mitigation was introduced in 1998. The marker for climate change adaptation was introduced in 2010. When applied properly they allow for an estimation of the amount of ODA directed toward such activities

There are some known limitations to the use of Rio markers, including but not limited to the coverage and consistency of their use in donors' reporting to the DAC CRS. Not all donors screen each individual project against the markers, leaving gaps in coverage. The criteria for qualifying projects can also be subjective and interpreted differently. Despite these well-known limitations the Rio markers remain an important tool for indicating the amount of ODA relevant to climate objectives.

FIGURE 4

Most climate finance approvals support mitigation projects

Approvals by focus and provider type, 2013–2014



Source: Development Initiatives based OECD DAC and CFU.

Notes: Volumes and percentages based on commitments and approvals.

funds (35%) directed smaller but still substantial shares to mitigation.

The mix of climate finance instruments

Climate finance is not a homogenous resource, but rather a collection of instruments including financial flows, in-kind support, technical assistance and non-transferred resources. To understand the comparative advantages of these various instruments and how appropriate these might be, it is important to understand the current composition of flows. This is crucial to assessing their potential impact and informing how to build a more effective mix. Both the Paris Agreement and Agenda 2030 call for a mix of instruments of support and cooperation to tackle the challenges posed by climate change and development.

The majority of support (66%) was in the form of loans over 2013–2014: 37% as concessional loans, 23% as non-concessional loans and 6% as loans of an unspecified type. Close to a third (29%) of support was delivered as grants, and the remaining 5% as a collection of other, smaller modalities

such as equity investments and guarantees.

This composition varies between providers, demonstrating the differing preferences and means of support available from different organisations (Figure 5). Between 2013 and 2014, bilateral DFIs (reported as ODA) largely favoured concessional loans, which accounted for 95% of their finance. The second-largest share of concessional loans came from government agencies

(45%), which, however, favoured grants (55%). Bilateral climate funds provided grants exclusively.¹⁷

Finance from multilateral DFIs is quite different from that of all other providers, with a clear preference for different forms of loans. Multilateral DFIs incorporate a significant component of non-concessional (53%) and other loans. The share of concessional funding from multilateral DFIs is much smaller than that of bilateral DFIs: 21% against 95%. Multilateral climate funds provided primarily grants and a smaller share of concessional loans.

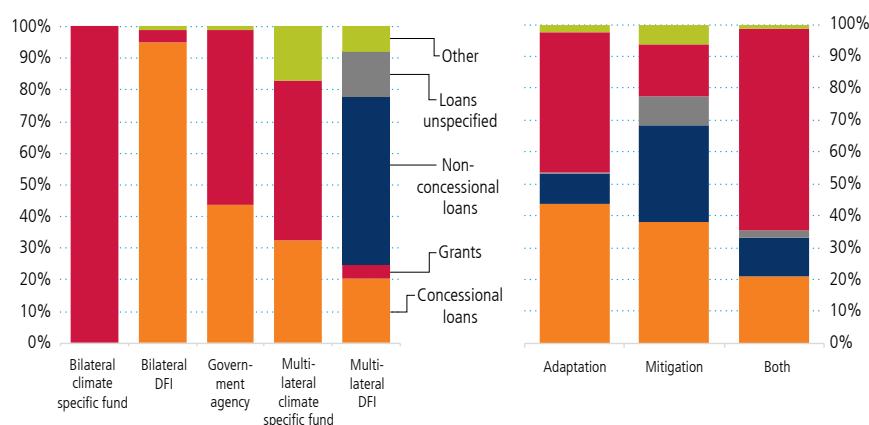
This composition also varies between support targeted towards adaptation and mitigation.

Support towards adaptation consists primarily of concessional loans (44%) and grants (44%), with a small proportion of non-concessional loans (9%) and 'other' and unspecified finance (3%). Support towards mitigation consists of a similar proportion of concessional loans (38%), a much greater amount of non-concessional loans (30%) and a smaller

FIGURE 5

Over half of climate finance from multilateral DFIs is delivered as non-concessional loans

Support modalities by provider type and focus, 2013–2014



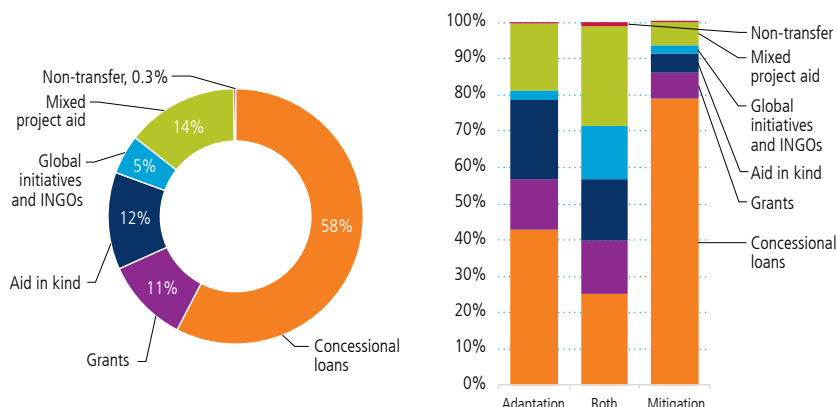
Source: Development Initiatives based OECD DAC and CFU.

Notes: Volumes and percentages based on commitments and approvals.

FIGURE 6

Over two-thirds of climate finance reported as ODA was in the form of cash in 2014

Detailed modalities of support from government agencies and bilateral DFIs, 2014



Source: Development Initiatives based OECD DAC.

Notes: Percentages based on share of commitments.

proportion of grants (16%). This reflects the nature of many mitigation projects, whereby many large infrastructure projects, often with some commercial viability, are financed using loans. Support towards projects where both adaptation and mitigation are a focus includes a greater proportion of grants than either exclusive adaptation or mitigation projects (63%).

Climate finance reported by bilateral DFIs and government agencies (representing 50% of all resources mapped) has better underlying data that allows for further breakdown. More than two-thirds of the support provided by such institutions in 2014 was delivered as cash loans or grants (68%), 14% as mixed project aid, 12% in kind (which includes technical cooperation) and 5% through global initiatives and international non-governmental organisations (INGOs) (Figure 6). Just 0.3% was not transferred outside the donor country.

This composition also changes between resources for mitigation and adaptation. Mitigation resources were 86% cash (loans or grants), with small proportions of other modalities. Adaptation was 57% cash (loans or

grants) but with significant components of aid in kind (22%) and mixed projects (19%). Projects that incorporated both had a greater proportion of mixed project aid (30%) and aid to global initiatives and INGOs (16%) than the single-focus projects.



Distribution of climate finance in relation to poverty

In pursuit of the Sustainable Development Goals (SDGs) and climate goals, it is critical that international public climate finance is distributed appropriately, in line with need and mindful of the relationships between poverty and climate change. It must also be remembered, however, that climate finance has a different role to play in different contexts. For example, its role in high-GHG-emitting middle-income countries will differ from that in low-income countries exposed and vulnerable to immediate climate change impacts. The need for, and relevance of, particular types of support will be greater in some countries than others, as will the urgency with which that support is needed.

Research and civil society organisations have raised concerns about the adequacy and distribution of climate finance to date – arguing that climate finance has historically unequivocally favoured mitigation activities in middle-income countries and to an extent excluded lower-income countries, and that more climate-specific financing may fail to address the needs of the poorest or, worse, be detrimental to other poverty reduction efforts.¹⁸ The increasing amount of development finance spent on climate-related objectives, contributing to total climate finance, demonstrates the increasing overlap between the two. Another concern has been that more climate-specific support might detract from or, at worst, conflict with traditional development finance. These flows both contribute to the total amount of international public climate finance, are both relevant to poverty and climate goals, and need not be mutually exclusive.

This section analyses the distribution of international public climate finance across developing countries as captured in our dataset. We look at its distribution against various indicators of need and patterns of poverty,¹⁹ and

consider how well this reflects the long-established linkages between climate change and poverty.

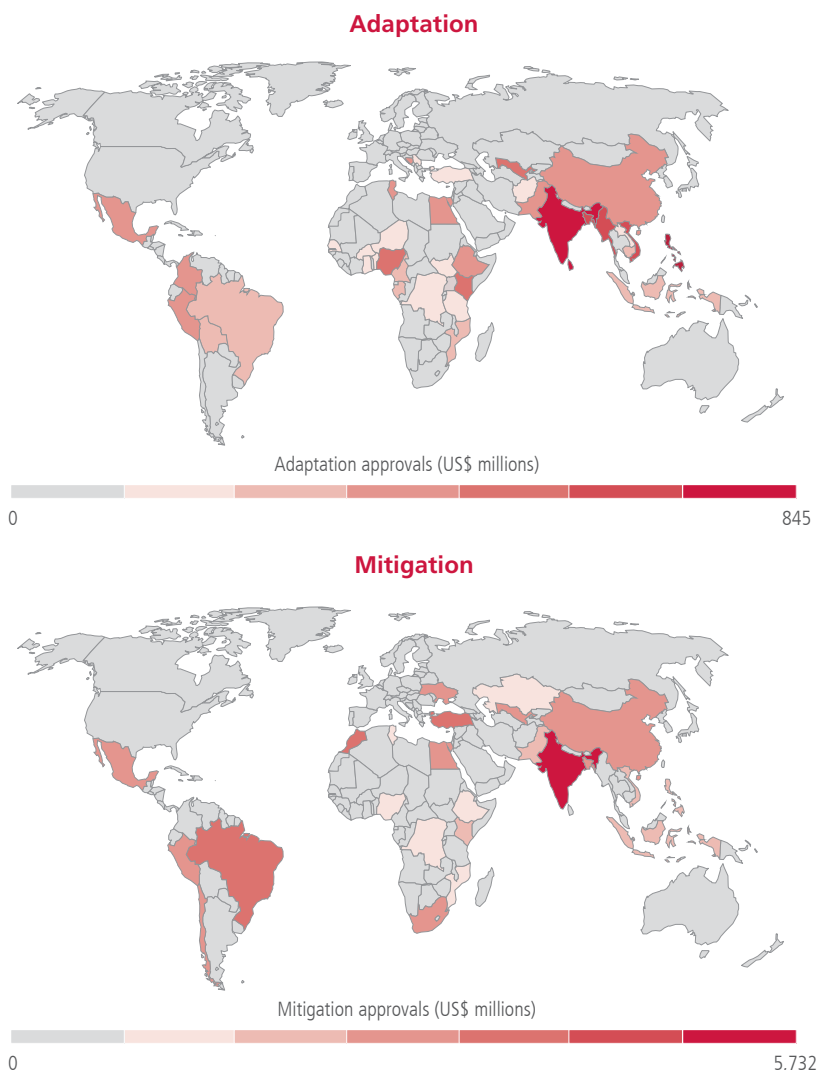
Distribution by country

Of the finance captured in our dataset, 88% is country-allocable²⁰ and shows that the US\$49 billion of international public climate finance from developed to developing countries in 2014 is highly concentrated in a handful of countries. Of this amount, five countries together received 36% and

India alone received 15.5% (Figure 7). Turkey, Morocco and Brazil were allocated between 5% and 6% each, Bangladesh 4.7%. Another 19 countries were allocated between 1% and 4%. The remaining 118 other countries were allocated less than 1% each. Least Developed Countries – mentioned specifically in the Paris Agreement, as a group of countries with special needs to address their particular vulnerability – were allocated a collective 17% of total finance, and a collective 31% of adaptation support.

FIGURE 7
Approvals of adaptation and mitigation support were both greatest to India in 2014

International public climate finance distribution, 2014 (US\$ millions per country)



Source: Development Initiatives based OECD DAC and CFU.

Notes: Amounts based on approvals and commitments.

Support has been concentrated similarly in previous years. In each year since 2005, the top five recipients have received over a third of all support provided. The data suggests this pattern is becoming less concentrated; five countries received 59% of all support in 2005, steadily declining to 36% in 2014. India has been the single greatest recipient in each year since 2010 – receiving the equivalent of 15% of all support provided since 2005.

There is concentration of both mitigation and adaptation support, especially the former. Mitigation support reached at least²¹ 128 countries, with the top five recipients receiving a combined 47% of this support. Adaptation investments were allocated to at least 137 different countries in 2014. The top five recipients received 29% of this support.

Adaptation support, poverty and vulnerability

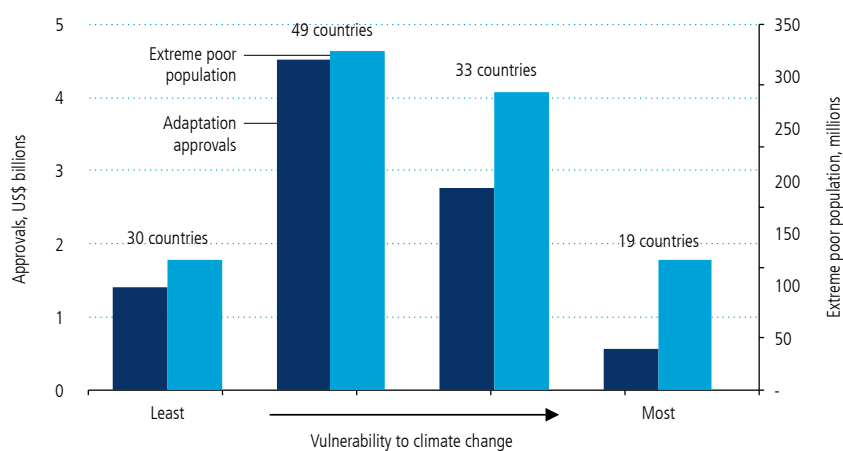
Vulnerability to climate change and poverty are deeply related at the individual, community and country levels. Given this interplay and linkages between poverty and vulnerability to climate change, it is important to consider the distribution of adaptation support across both measures. Poverty and vulnerability measures, along with indicators of domestic capacity, together indicate where the scale of the joint challenge of tackling poverty and building adaptive capacity and resilience is greatest. Consequently, adaptation finance should align with and prioritise countries and places where such needs are concentrated.

The countries most vulnerable to climate change – with the least adaptive capacity – require the most urgent adaptation action. Support to build adaptive capacity and resilience is key to preventing and minimising potential losses and consequent impacts on poverty in these countries.

FIGURE 8

The countries most vulnerable to climate change received the least approvals of adaptation finance

Adaptation finance, vulnerability and extreme poor population, 2014



Source: Development Initiatives based OECD DAC, CFU, PovcalNet and ND-GAIN.

Notes: Amounts based on approvals and commitments. Regional and unspecified allocations are excluded.

However, allocations of adaptation finance do not prioritise the most vulnerable countries. In 2014, total adaptation approvals were greatest to the 49 countries with mid-range vulnerability scores²² (between 0.4 and 0.5), including India (US\$845 million) the Philippines (US\$596 million) and Vietnam (US\$369 million). While it is to be expected that this group, with the largest number of countries, might receive the most support, other groups received much smaller average amounts per country. This group received an average of US\$92 million per country. In contrast, the 19 countries most vulnerable to climate change collectively, which include 124 million people in extreme poverty, received the least support: less than US\$0.6 billion – an average of US\$30 million per country and the lowest of any group (Figure 8). Eritrea, Guinea-Bissau, Sierra Leone and Liberia received particularly few resources – less than US\$10 million each. India and the Philippines each alone received a greater amount of support than this entire group.

Beyond the distribution of poverty, understanding the depth of poverty

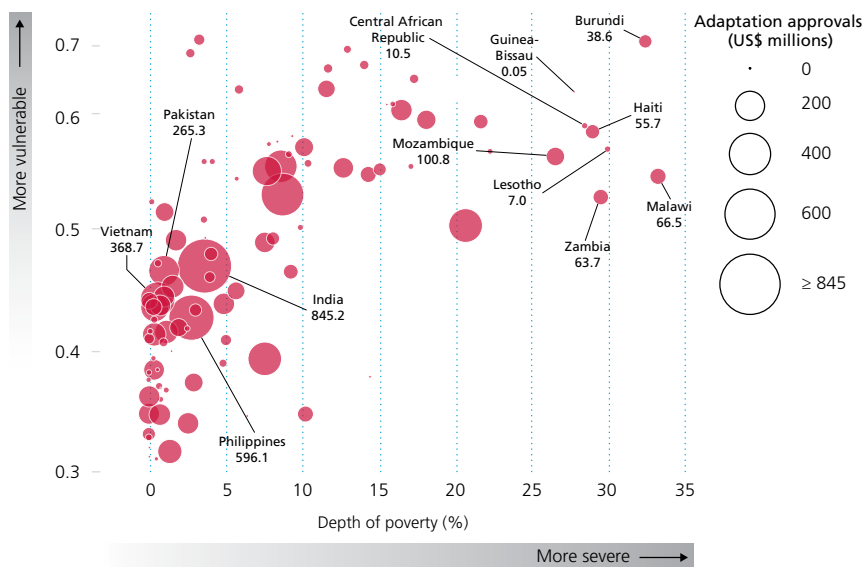
– how far a country’s population is below the poverty line – also helps to qualify the scale of the challenge of poverty reduction in each country.²³ Data show that the 14 countries with the deepest levels of poverty (>20%) – mostly sub-Saharan countries with the exceptions of Micronesia and Haiti – received among the lowest amounts of total adaptation finance – US\$785 million, and an average of US\$56 million per country. Conversely, the 67 countries with poverty depths of less than 5% received the greatest amount collectively (US\$4.9 billion) and a greater amount per country – US\$73 million per country. Guinea-Bissau, Micronesia, Lesotho and Togo received the least – under US\$10 million each.

Of the 142 countries in receipt of climate finance in 2014, 28 have both a depth of poverty of over 10% and the greatest vulnerability to climate change.²⁴ All but three of these (Haiti, the Solomon Islands and Papua New Guinea) are located in sub-Saharan Africa. In 2014 these 28 countries received only 16% of country-allocable finance. By contrast, countries with depths of poverty below 5% and lower

FIGURE 9

Over half of adaptation support in 2014 was to countries with relatively low depths of poverty and vulnerability

Distribution of adaptation finance against vulnerability and depth of poverty



Source: Development Initiatives based on OECD DAC, CFU, ND-GAIN and PovcalNet.
 Notes: Amounts based on approvals and commitments. Regional and unspecified allocations are excluded. This chart includes only countries for which there is data available on adaptation approvals, vulnerability score and depth of poverty.

vulnerability scores (below 0.5) received 49% of country-allocable adaptation finance in 2014. Such countries include The Philippines, Vietnam and Pakistan, which were allocated US\$596 million, US\$369 million and US\$265 million respectively (Figure 9).

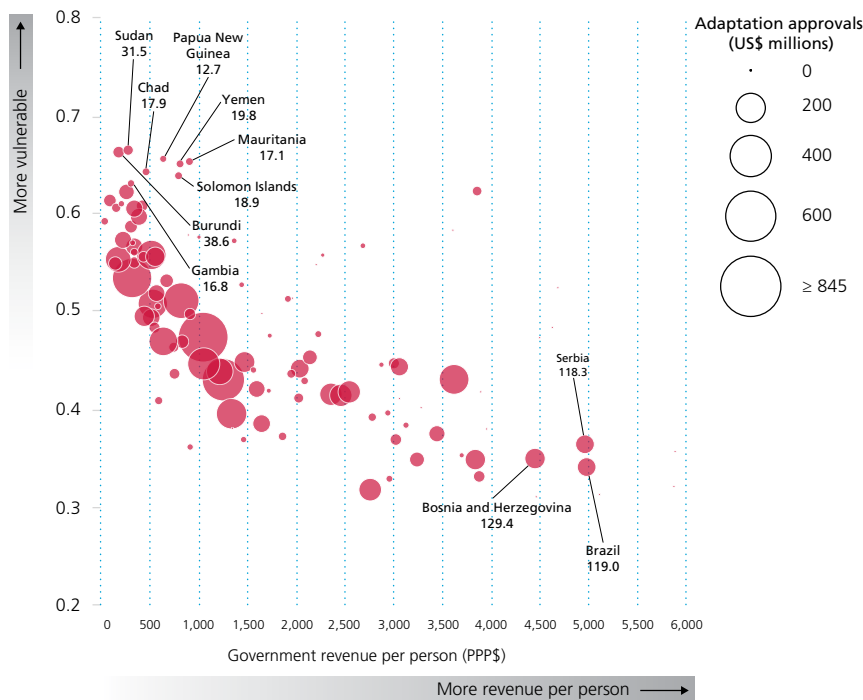
Adaptation support, vulnerability and domestic capacity

There is a notable pattern between levels of vulnerability and domestic resources in a country. Countries with the least domestic resources are among the most vulnerable to climate change, and those with the greatest resources are among the least vulnerable. International support for adaptation is critical to supporting action in those countries where the domestic capacity to respond is limited, and where vulnerability is greatest.

FIGURE 10

Countries with both high vulnerability and few domestic resources receive less support for adaptation'

Distribution of adaptation finance against vulnerability and government revenue per person



Source: Development Initiatives based on OECD DAC, CFU, ND-GAIN and IMF.
 Notes: Amounts based on approvals and commitments. Regional and unspecified allocations are excluded. This chart includes only countries for which there is data available on adaptation approvals, vulnerability score and government revenue per person.

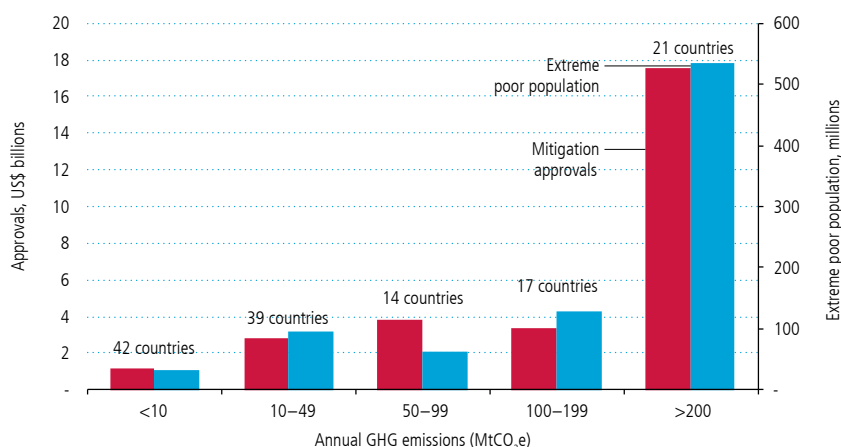
However, a number of countries among the most vulnerable to climate change, that also have low domestic revenues, receive some of the smallest amounts of adaptation finance. For example, Sudan and Burundi – with the highest levels of vulnerability and lowest government revenues – received relatively small amounts of adaptation support (US\$31 million and US\$39 million respectively in 2014), much less than the country average of US\$65 million. Other countries, also highly vulnerable and with relatively low levels of government spending, receive even less support for adaptation: Yemen US\$20 million, Solomon Islands US\$19, Chad US\$18 million, Mauritania US\$17, Gambia US\$17 and Papua New Guinea US\$13 million (Figure 10).

By contrast, some countries with significantly lower levels of vulnerability and greater domestic resources received comparatively much greater amounts. Bosnia and Herzegovina, Brazil and Serbia received US\$129 million, US\$119 million and US\$118 million in 2014

FIGURE 11

Approvals of mitigation finance were greatest to higher-emitting countries

Mitigation approvals and greenhouse gas emissions, 2014



Source: Development Initiatives based on OECD DAC, CFU, PovalNet and CAIT WRI.

Notes: Amounts based on approvals and commitments. Emissions include those from land-use change and forestry. Regional and unspecified allocations are excluded.

respectively. Given the evidence on the potentially devastating impacts of climate change on those in extreme poverty, the analysis above raises important questions about whether climate finance with a mandate to focus on those most in need – for example ODA – could be better targeted when it comes to adaptation.

Mitigation support and GHG emissions

In 2014 the distribution of mitigation finance was broadly consistent with the pattern of GHG emissions.²⁵ The largest polluters receive the highest volumes of approvals of international public climate finance (Figure 11). The majority of mitigation approvals went to the 21 countries with annual emissions greater than 200 MtCO₂e: collectively US\$17.5 billion, and an average of US\$835 million per country. This, however, masks some inter-country differences. Of the top five greatest country emitters, China, India and Brazil each received among the greatest amounts (US\$1.4 billion, US\$5.7 billion, US\$2.0 billion respectively – collectively equal to 32% of total mitigation approvals). Indonesia and Mexico, also among

the top five greatest country emitters, received much less – US\$511 million and US\$330 million each.

The 17 countries with fewer, though still great, annual emissions (100–199 MtCO₂e), received much less support for mitigation: US\$3.4 billion. This is similar to the 39 countries with even fewer emissions (10–49 MtCO₂e) although a greater average amount per country: US\$198 million versus US\$73 million per country.

Emissions statistics mask inter-country differences in pollution sources and mitigation needs. While the mitigation challenge in one country might be to reduce emissions from fossil fuel burning, the challenge in another might be to halt carbon losses from deforestation. The Democratic Republic of the Congo and Nigeria, which rank high because of carbon losses from land-use change and deforestation, are each also home to high populations of extreme poor (51 million and 87 million respectively). In these countries the amount of mitigation approvals is comparatively low: US\$156 million and US\$276 respectively, which are

well below the average of US\$835 per country for that group.

Mitigation support and extreme poverty

Collectively, there are around 535 million people living in extreme poverty in developing countries with annual emissions greater than 200 MtCO₂e.²⁶ In fact, 40% of the global population living in extreme poverty are located in one of the top four GHG-emitting developing countries – China, India, Indonesia and Brazil. Together the top ten GHG-emitting developing countries are home to half (51%) of people living in extreme poverty (Figure 12).

This presents a particular challenge when deploying mitigation action in those countries. Mitigation responses include a broad variety of activities, aligned to a country's individual challenges. While mitigation action is not necessarily mandated to support poverty reduction ambitions, the needs of those living in poverty cannot be ignored in mitigation strategies, particularly where there are high levels of mitigation allocations compared to resources for adaptation. If mitigation investments in these countries are not pro-poor, they risk undermining progress on poverty reduction. It is therefore vital that mitigation strategies, particularly where high expected mitigation investments align with places characterised by high poverty rates, are developed with a keen awareness of their potential impact on those in poverty and the role these strategies could play in reinforcing poverty reduction as well as in tackling climate change.

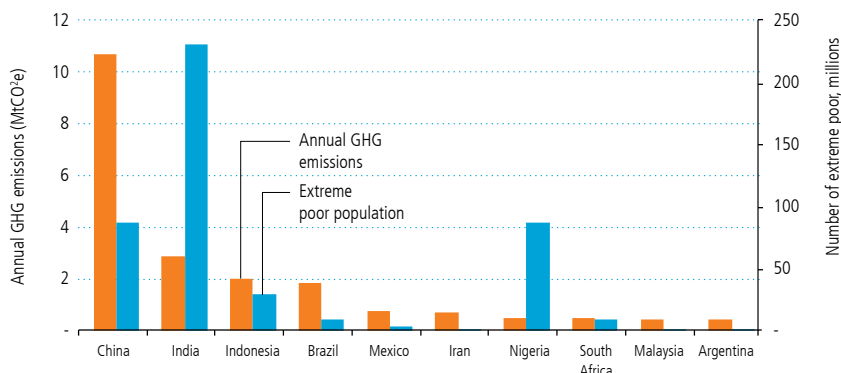
Mitigation support and domestic capacity

International support for climate change action should complement domestic resources for both mitigation and adaptation action. External

FIGURE 12

Over half of the global population living in extreme poverty is in the top ten GHG-emitting developing countries

Top ten GHG-emitting developing countries and numbers of extreme poor



Source: Development Initiatives based on OECD DAC, CFU, PovcalNet and CAIT WRI.

Notes: Amounts based on approvals and commitments. Emissions include those from land-use change and forestry. Regional and unspecified allocations are excluded.

The 22 countries with comparatively small revenues – US\$200–499 (PPP\$) – received far fewer mitigation approvals: US\$2.5 billion, an average of US\$113 million per country. The five countries with the lowest domestic resources (less than \$200 of government revenue per person) collectively received US\$0.4 billion (1% of the total) and an average amount of US\$73 million per country. While only five countries constitute this group, the average amount received per country is still significantly lower than that received by countries with the highest domestic revenues (Figure 13).

resources are most important for those countries with the fewest domestic resources and with limited capacity to mobilise domestic funds. In addition to financing action, assistance can also play a leading role in building domestic capacity by facilitating the sharing of knowledge and technologies.

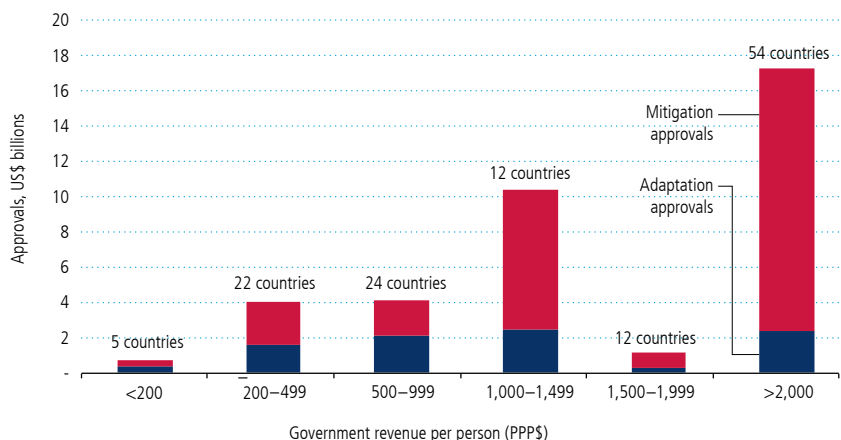
Data for 2014 shows that higher volumes of mitigation finance go to countries with the greatest domestic

resources (above US\$2,000 of government revenue per person). These 54 countries (38% of all countries) together received US\$14.8 billion of mitigation finance (52% of the total), an average amount of US\$275 million per country. Support is also concentrated to the 12 countries with government revenues of US\$1,000–1,499 (PPP\$), which collectively received US\$7.9 billion, or an average of US\$659 million per country.

FIGURE 13

Climate finance is greatest to countries with the greatest domestic resources

Approvals and government revenues per person, 2014



Source: Development Initiatives based on OECD DAC, CFU, PovcalNet and IMF.

Notes: Amounts based on approvals and commitments. Regional and unspecified allocations are excluded. This figure also excludes flows to projects with joint adaptation and mitigation objectives.



Conclusion

Recognising the devastating effect that climate change could have on global efforts to eradicate poverty, this report aims to share evidence on how well the links between climate change and poverty are reflected in the provision and distribution of international public climate finance. We find that, to some extent, the links between climate change and development priorities are recognised in patterns of financing, as resources allocated by government agencies, development finance institutions (DFIs), climate funds and official development assistance dedicated to tackling climate change have increased in recent years. However, this recognition is far less clear when the distribution of climate finance is considered.

The report confirms that, when looking at the total volume of approvals, international public climate finance continues to favour mitigation-related activities over activities aimed at adaptation. Each provider type concentrates support on mitigation, though to different degrees. Bilateral government agencies and multilateral DFIs remain important for supporting adaptation efforts in developing countries, providing substantial amounts of adaptation support.

Just under half (46%) of the global population living in extreme poverty is located in countries vulnerable to climate change. Building adaptive capacity and resilience in these countries is critical for sustained poverty reduction and our analysis raises important questions about how well adaptation support with a mandate to focus on those most in need is targeted. Arguably, this support should be directed to those countries with the highest levels of vulnerability to climate change, the greatest number of people living in extreme poverty, the greatest depths of poverty and the fewest domestic resources available for adaptation.

However, while data is limited, neither the poorest nor the most vulnerable countries receive the greatest amounts of support. Just 16% of adaptation support in 2014 was to countries with the greatest depths of poverty and vulnerability to climate change. Support for adaptation is particularly lacking to Burundi, Guinea-Bissau, the Central African Republic, Haiti and Lesotho, each with great depths of poverty in combination with high levels of vulnerability. In contrast, countries with relatively low levels of poverty and vulnerability receive the greatest amounts. Furthermore, it is not the countries with the fewest domestic resources that receive the most support. In fact, those allocated the highest levels of finance for adaptation have far greater domestic capacity – India, the Philippines and Bangladesh.

These gaps in the provision of support highlight current allocation inadequacies. Better decisions around the distribution of future climate finance and other resources should be informed by patterns of poverty, vulnerability and domestic capacity. Climate-related ODA specifically could be better targeted toward countries most in need.

International support does and must play an important role in mitigation action, especially in countries that are large emitters of greenhouse gases, with opportunities to invest in green infrastructure and growth. While the greatest emitters collectively (including Brazil, China and India) do receive the greatest amounts of mitigation finance, support to other countries with significant mitigation needs, with greater numbers of extreme poor – such as Indonesia, the Democratic Republic of the Congo and Nigeria – is comparatively small.

Much of this mitigation finance does not have a mandate to consider those in poverty. However, if the world is

to succeed in eradicating poverty, it is vital that mitigation strategies are developed with an awareness of their impact on the world's poorest. Providers and recipients of finance for mitigation must ensure that their actions do not adversely affect those in poverty. In fact, where appropriate, they should consider how mitigation activities may enable progress against both climate and development goals.

Climate change threatens to reverse progress, create new forms of poverty, or simply make poverty eradication unsustainable. Greater visibility on all available climate finance is needed to inform debate around the comparative advantages of the various mechanisms and types of intervention available. A combination of poor reporting, lack of consensual definitions and technical challenges complicate better data on climate finance. (See Annex 2 for a detailed overview of some persistent data challenges.) Without better data and clearer boundaries between what is and what is not climate finance, political commitments against international targets cannot be tracked and comparative evaluations are not possible.

The ultimate successes and failures of climate finance will have far-reaching consequences for populations living in poverty and in vulnerable areas. Responsive policies, investments and related incentives must not be to the detriment of the poorest, nor should they exclude them. This will be key to matching the international and political climate/poverty rhetoric. The extent to which climate-financed efforts are integrated with the broader sustainable development agenda will be critical to its achievement. All climate finance should be evaluated along the lines of impacts on the poorest, considering whether that finance is mutually beneficial to both climate and poverty outcomes.



Annexes

Annex 1.

Full methodology

Data sources

The dataset used in this assessment has been assembled from three separate sources: the Organisation for Economic Co-operation and Development Development Assistance Committee Creditor Reporting System²⁷ (OECD DAC CRS); the OECD dataset of climate-related development finance,²⁸ and the Climate Funds Update (CFU) full project-level dataset.²⁹ Data for each provider has been taken from one of these three datasets, depending where coverage for each provider is best (Figure A1).

- Data for donor government agencies and bilateral DFIs has been taken from the OECD DAC CRS.
- Data for multilateral DFIs is also taken from the OECD, but originates from data produced by the major multilateral development banks for their joint report on their climate finance,³⁰ data from which is published in the OECD’s dataset of climate-related development finance.
- Data for bilateral and multilateral climate-specific funds has been taken from Climate Funds Update (CFU), a joint initiative of the Heinrich Böll Stiftung and the Overseas Development Institute that

collects data on projects funded by the major bilateral and multilateral climate-specific funds.

Annex 3 is a complete list of providers by type and data source. For simplicity, we define developing countries as those currently eligible for ODA,³¹ which includes low- and middle-income countries.

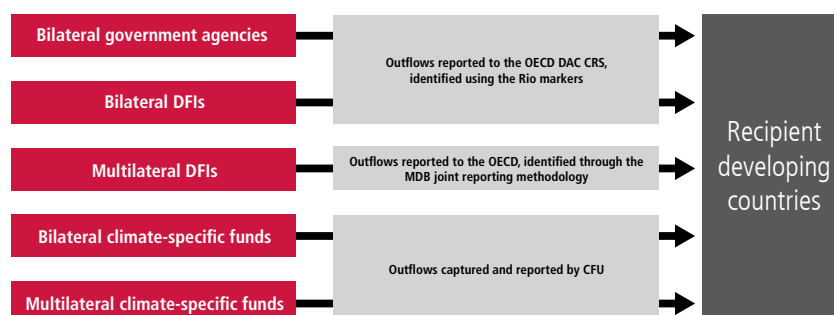
Though broadly similar, the specific definition of mitigation and adaptation, and approach to identifying relevant support, differs across data sources. Data for donor government agencies and bilateral DFIs from the OECD DAC CRS is based on development assistance reported and marked with a relevant Rio marker (Box 1). Mitigation and adaptation projects align with

the definitions set out in the reporting directives for the Rio markers:

- Mitigation – where a project “contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration”
- Adaptation – where a project “intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through

FIGURE A1

Data sources



Notes: DFIs – Development Finance Institutions. OECD, DAC, CRS – The Organisation for Economic Co-operation and Development, Development Assistance Committee, Creditor Reporting System. MDB – Multilateral Development Bank. CFU – Climate Funds Update.

increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them”.

We include finance marked both as principal and significant. Data for multilateral DFIs from the OECD’s dataset of climate-related development finance is based on the joint MDB approach for climate finance tracking and reporting. Data for bilateral and multilateral climate-specific funds from the CFU is based on independently collected data and so definitions differ between individual funds. These do however generally align with the definitions of the Intergovernmental Panel on Climate Change:

- Mitigation – “Technological change and substitution that reduce resource inputs and emissions per unit of output. Although several social, economic and technological policies would produce an emission reduction, with respect to climate change, mitigation means implementing policies to reduce GHG emissions and enhance sinks”
- Adaptation – “Initiatives and measures to reduce the vulnerability of natural and human systems against actual or expected climate change effects”.³⁴

Double-counting

To minimise the chance of double-counting, only outflow data has been used. Any finance appearing to flow between, or channelled via, another provider has been excluded. This has been achieved using details in the ‘channel’ fields, to identify such flows and exclude them. Transfers between climate funds have also been excluded. Some overlaps between spending by the climate-specific funds and multilateral DFIs are likely.

Prices

Outflow data from the OECD DAC CRS and from the OECD’s dataset of climate-related development finance is available in constant 2014 prices. Outflow data from the CFU has been converted from current to constant 2014 prices using a ‘total DAC’ average deflator.

Vulnerability

‘Vulnerability’ as used in this report refers to “the propensity or predisposition to be adversely affected”; it “encompasses a variety of concepts and elements including sensitivity or susceptibility to harm and lack of capacity to cope and adapt”.³⁵

Data used to assess vulnerability is taken from the University of Notre Dame’s Global Adaptation Index (ND-GAIN). This offers a composite measure of a country’s vulnerability, based on a variety of indicators that represent the exposure, sensitivity and adaptive capacity of food, water, health, ecosystem services, human habitat and infrastructure. The ND-GAIN definition of vulnerability aligns with the Intergovernmental Panel on Climate Change – the “propensity or predisposition of human societies to be negatively impacted by climate hazards”.³⁶

To help distinguish countries, Development Initiatives has further categorised countries into quintiles based on the range of ND-GAIN vulnerability scores in 2014. This allows us to characterise countries descriptively, from the ‘least vulnerable’ (lower quintile) to the ‘most vulnerable’ (upper quintile). Countries in the upper two quartiles have been described as vulnerable. The only developing country for which there is no data is South Sudan.

Poverty

Extreme poverty data is taken from PovcalNet³⁷ and is based on the international extreme poverty line of PPP\$1.90/day for the year 2012 – the most recent available disaggregated by country. Country totals for the numbers of extreme poor are generated by multiplying the reported headcount (%) by total country population. Several developing countries are missing data, which is partially accounted for with estimates based on regional patterns. All dollar-per-person calculations exclude countries for which there is no comparable poverty or population data.

Emissions

Data for country greenhouse gas (GHG) emissions are from the World Resources Institute’s CAIT Climate Data Explorer³⁸ based partially on FAO data. It is presented in units of MtCO₂e – million tonnes of carbon dioxide equivalent, and includes emissions from land-use change and forestry.

Government revenue

Data on government revenue is calculated using IMF Article IV publications and presented in 2012 PPP\$. Data is for the year 2014, with a few exceptions where the next latest available data has been used.

Annex 2.

Data and information needs

Quantifying and tracking climate finance is difficult. This is firstly because there is no single repository of data, nor is there perfect consensus on which activities qualify as climate finance. Comprehensive coverage for spending by all providers is lacking. The vast array of providers, both public and private, report their spending and activities in various ways, at various times, and using various definitions. Other providers simply do not report their spending officially.

The Rio markers (Box 1) applied to the ODA reported to the OECD DAC go some way in identifying climate-related finance within development assistance, although their application is incomplete and inconsistent. Expert task teams at the OECD monitor the quality of Rio marker reporting, and work to improve it, including through refining eligibility criteria, consultations and guidance. Data on spending by multilateral DFIs is gradually improving. The joint MDB approach to reporting represents significant ambition and progress by these major providers, identifying their relevant spending and aligning their approach to the OECD's Rio markers.

Data for other flows, including from dedicated climate funds that do not report to the OECD, is much harder to come by, and limited to periodical releases and publications. While

this report focuses on international public climate finance, major data gaps also persist for private and domestic finance. Better data on these resources are critical to better understanding domestic capacity and the role of private finance, both of which could further inform debate and the allocation of international public climate finance.

Methodological differences make it difficult to join data from the various sources. Avoiding double-counting in this sense is a challenge, where data for some projects may be twice reported, firstly by the original donor organisation and secondly by an implementing organisation. This especially affects multilateral flows from donor governments through climate-specific funds. The OECD has encouraged considerable progress on harmonising multilateral flows within its statistical system, allowing for a more accurate representation of public flows from and between bilateral and multilateral DAC donors and the major MDBs.

The quality and detail of data reported can vary greatly. Not all providers for example publish project-level data; some provide only aggregated spending figures. Project-level data which is reported may or may not contain information on the type of

finance, how that finance is channelled or which organisations are responsible for its delivery. Geographical detail is also typically lacking, which limits how context-specific any assessments of finance can be. In most cases, data is available only at the national level, on the intended-country recipient. This all affects how well finance can be tracked to local levels.

While this report looks only at top-level evidence – patterns of finance distribution at the national level – understanding subnational distributions of finance, alongside subnational patterns of poverty and vulnerability, is equally important for assessing the role and impacts of climate finance at lower levels. More detailed evaluations however require more detailed data on climate-financed projects. Different approaches to reporting and publication cycles also affect the timeliness of data, and limit the ability to look at year-to-year trends. The latest available data useful for this report is from 2014.

The lines between development finance and climate-specific finance are becoming increasingly blurred, reflecting greater considerations of climate objectives among providers of development assistance. How public climate finance data is reported, for example to both the OECD and

elsewhere, affects the extent to which climate-related ODA can be distinguished from non-ODA-eligible climate finance flows. Greater clarity on which flows are eligible as ODA, or more broadly which flows intend to achieve joint poverty and climate objectives, is needed and important to inform thinking and decisions on which finance should work best where.

Steps to improving climate finance data are both possible and necessary, though require greater cooperation between data providers. Recent progress and examples of cooperation on the matter is welcome, though data on flows must be further reconciled, and made more interoperable. Data on aid and ODA spending benefits from a single repository – the OECD DAC CRS – as well as efforts to harmonise reporting standards. While this affects the climate-related ODA that qualifies as climate finance, other flows do not benefit from this approach. Lessons from progress on aid data might be applied to other flows of climate finance, both public and private.

Looking forward, the Paris Agreement has set an ambition to improve the transparency on action and support by parties³⁹ and requires that developed-country parties submit forward looking public finance information every two years. Efforts towards tracking political commitments must continue. These must be supported by developments in consensual methodologies. Recent progress such as the joint MDB reporting approach is welcome, as are other efforts around harmonising the various sources of spending data.

Considering that Agenda 2030 includes specific commitments to end extreme poverty and ensure that no one is left behind, and that the Paris Agreement strengthens commitment to support the poorest, better data is also needed on poverty. In order to monitor progress of the poorest and

ensure that adequate support reaches them we need to understand exactly who and where they are. Without such information it is impossible to monitor whether or not anyone is 'left behind'. More needs to be understood about the real impacts of climate-financed interventions on the poorest and on poverty more broadly. Such understanding requires better data on both climate finance and poverty.

Annex 3.

Data sources and providers

Data source	Provider type	Provider
Climate Funds Update	Bilateral climate-specific fund	<ul style="list-style-type: none"> Australia's International Forest Carbon Initiative Germany's International Climate Initiative Norway's International Climate and Forest Initiative UK's International Climate Fund
	Multilateral climate-specific fund	<ul style="list-style-type: none"> Adaptation for Smallholder Agriculture Programme (ASAP) Adaptation Fund (AF) Amazon Fund Clean Technology Fund (CTF) Congo Basin Forest Fund (CBFF) Forest Carbon Partnership Facility (FCPF) Forest Investment Program (FIP) Global Climate Change Alliance (GCCA) Global Energy Efficiency and Renewable Energy Fund (GEEREF) Global Environment Facility (GEF4) Global Environment Facility (GEF5) Global Environment Facility (GEF6) Green Climate Fund (GCF) Indonesia Climate Change Trust Fund (ICCTF) Least Developed Countries Fund (LDCF) MDG Achievement Fund Partnership for Market Readiness Pilot Programme for Climate and Resilience (PPCR) Scaling-Up Renewable Energy Program for Low Income Countries (SREP) Special Climate Change Fund (SCCF) UN Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD Programme)

OECD DAC CRS	Bilateral DFI	<p>Austria – Austrian Development Bank</p> <p>Finland – FinnFund</p> <p>Germany – Kreditanstalt für Wiederaufbau</p> <p>Japan – Japan Bank for International Co-operation</p> <p>Norway – NORFUND</p> <p>United Arab Emirates – Abu Dhabi Fund for Development</p>
	Government agency	<p>Australia</p> <p>Austria</p> <p>Belgium</p> <p>Canada</p> <p>Czech Republic</p> <p>Denmark</p> <p>EU Institutions</p> <p>Finland</p> <p>France</p> <p>Germany</p> <p>Greece</p> <p>Iceland</p> <p>Ireland</p> <p>Italy</p> <p>Japan</p> <p>Korea</p> <p>Lithuania</p> <p>Luxembourg</p> <p>Netherlands</p> <p>New Zealand</p> <p>Norway</p> <p>Poland</p> <p>Portugal</p> <p>Romania</p> <p>Slovak Republic</p> <p>Slovenia</p> <p>Spain</p> <p>Sweden</p> <p>Switzerland</p> <p>United Arab Emirates</p> <p>United Kingdom</p> <p>United States</p>
OECD dataset of climate-related development finance	Multilateral DFI	<p>African Development Bank</p> <p>African Development Fund</p> <p>Asian Development Bank</p> <p>Asian Development Bank Special Funds</p> <p>European Bank for Reconstruction and Development</p> <p>European Investment Bank</p> <p>Inter-American Development Bank</p> <p>Inter-American Development Bank Special Fund</p> <p>International Finance Corporation</p> <p>Islamic Development Bank</p> <p>World Bank – International Bank for Reconstruction and Development</p> <p>World Bank – International Development Association</p>

Notes

- 1 Development Initiatives, 2015. *Investments to End Poverty*. Available at: <http://devinit.org/#!/post/investments-to-end-poverty-2015>
- 2 ODI, 2015. *Zero poverty, zero emissions: eradicating extreme poverty in the climate crisis*. Available at: <https://www.odi.org/publications/9690-zero-poverty-zero-emissions-eradicating-extreme-poverty-climate-crisis>
- 3 The World Bank, 2016. *Shock Waves: Managing the Impacts of Climate Change on Poverty*. Available at: <https://openknowledge.worldbank.org/handle/10986/22787>
- 4 Adaptive capacity is the capability of a system to adapt to climate change, see: <http://www.ipcc.ch/ipccreports/tar/wg2/index.php?idp=651>
- 5 Under Goal 13 are the following targets that emphasise the urgency for mitigation and adaptation action: 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries; 13.2 Integrate climate change measures into national policies, strategies and planning; and 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning. See: <https://sustainabledevelopment.un.org/post2015/transformingourworld>
- 6 See: http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf
- 7 UNFCCC, 2016. *Investment and Financial Flows to Address Climate Change: An Update*. Available at: http://unfccc.int/resource/docs/publications/financial_flows_update_eng.pdf. The World Economic Forum also estimates that a total of \$5.7 trillion is needed annually by 2020 to secure green growth globally; see: http://www3.weforum.org/docs/WEF_GreenInvestment_Report_2013.pdf
- 8 See: <http://bigpicture.unfccc.int/#content-the-paris-agreement>
- 9 Vulnerability to climate change is generally defined as the propensity or predisposition to be adversely affected by climate change impacts. In addition to physical exposure to climate-related hazards, the extent to which a population is vulnerable is generally determined by its sensitivity (how dependent it is on climate-sensitive resources) and its adaptive capacity (its ability to adapt to the impacts or effects of climatic stimuli). See: IPCC, 2014. *Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*. Available at: http://www.ipcc.ch/pdf/assessment-report/ar5/syr/SYR_AR5_FINAL_full_wcover.pdf
- 10 Developing countries are defined as those eligible for ODA as of 2015. See: <http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf>
- 11 INDCs are public national climate action plans submitted to the UNFCCC, which outline a country's plan of action to deal with climate change from 2020. Countries are required to update these action plans – nationally determined contributions (NDCs) – every five years, submitting to the principle that no plan should be less ambitious than the previous plan.
- 12 CPI, 2016. *Global Climate Finance: An Updated View on 2013 & 2014 Flows*. Available at: <http://climatepolicyinitiative.org/wp-content/uploads/2016/10/Global-Climate-Finance-An-Updated-View-on-2013-and-2014-Flows.pdf>
- 13 OECD, 2016. *2020 Projections of Climate Finance Towards the USD 100 Billion Goal Technical Note*. Available at: <http://www.oecd.org/environment/cc/Projecting%20Climate%20Change%202020%20WEB.pdf>
- 14 Data is taken from the OECD and CFU. See Annex 1 for complete methodology and record of data sources.

- 15 Our compiled dataset includes data for approvals and commitments. Not all detail is available for all providers and so 'approvals' is used generally – these include approvals from climate-specific funds and commitments from all other providers. Both represent finance that has been officially approved though not necessarily disbursed.
- 16 Development Initiatives, 2015. *Investments to End Poverty*. Available at: <http://devinit.org/#!/post/investments-to-end-poverty-2015>
- 17 Firm conclusions from this assessment are difficult to draw as data is available for four funds only over 2013–2014.
- 18 The Green Climate Fund. *Will the vulnerable be overlooked in a rush to spend?*, <http://www.iiied.org/green-climate-fund-will-vulnerable-be-overlooked-rush-spend> (accessed 5 August 2016)
- 19 At the international level the primary measure of extreme poverty is defined by income, measuring people who live on less than \$1.90 a day. This assessment uses the extreme poverty, \$1.90 a day, measure, while recognising the importance of ending poverty in all its forms.
- 20 Country-allocable refers to finance allocated to a single specified country. It excludes finance flowing to regional, multi-country or global projects.
- 21 'At least' as support allocated to regional or global initiatives might also reach other, unspecified countries.
- 22 Vulnerability scores based on ND-GAIN. While many interrelated factors affect and determine a country's vulnerability, methods exist to capture and simplify complex variables in order to characterise their levels of vulnerability. The ND-GAIN vulnerability score used in this assessment synthesises a country's exposure, sensitivity and ability to adapt to the negative impact of climate change. Scores range from 0.2 (the least vulnerable) to 0.7 (the most vulnerable). See: <http://index.gain.org/about/methodology#vulnerability> and see Annex 1 for full methodology.
- 23 Depth of poverty measures the average gap in incomes for people living below the poverty line, spread across the population. It is expressed as a percentage of the \$1.90 a day poverty line, where a higher percentage means greater depth of poverty and a more significant challenge to ending poverty.
- 24 Based on ND-GAIN scores.
- 25 'Emissions' include equivalent carbon losses from land-use change and deforestation.
- 26 Including equivalent carbon losses from land-use change and deforestation.
- 27 Accessed from: <http://stats.oecd.org/>
- 28 Accessed from: <http://www.oecd.org/dac/stats/climate-change.htm>
- 29 Accessed from: <http://www.climatefundsupdate.org/data>
- 30 Joint MDB Report, 2016. *Joint Report on Multilateral Development Banks' Climate Finance*. Available at: <http://pubdocs.worldbank.org/en/740431470757468260/MDB-joint-report-climate-finance-2015.pdf>
- 31 These include all low- and middle-income countries, based on gross national income as published by the World Bank, and the Least Developed Countries (LDCs) as defined by the United Nations (UN). See: <http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf>
- 32 OECD, 2016. *Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, Annexes – modules D and E*. Annex 18, pages 57–58. Available at: [https://www.oecd.org/dac/stats/DCD-DAC\(2016\)3-ADD2-FINAL%20-ENG.pdf](https://www.oecd.org/dac/stats/DCD-DAC(2016)3-ADD2-FINAL%20-ENG.pdf)
- 33 See: <http://pubdocs.worldbank.org/en/740431470757468260/MDB-joint-report-climate-finance-2015.pdf>
- 34 IPCC, 2007. *Climate Change 2007: Synthesis Report. Contribution of Working Groups I, II and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*. Annex II, pages 76–84. Available at: http://www.ipcc.ch/pdf/assessment-report/ar4/syr/ar4_syr_full_report.pdf
- 35 IPCC, 2014. *Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*. Annex II, page 128. Available at: http://www.ipcc.ch/pdf/assessment-report/ar5/syr/SYR_AR5_FINAL_full_wcover.pdf

36 ND-GAIN, 2015. *University of Notre Dame Global Adaptation Index Country Index Technical Report*. Introduction, page 3. Available at: http://index.nd-gain.org:8080/documents/nd-gain_technical_document_2015.pdf

37 Accessed from: <http://iresearch.worldbank.org/PovcalNet/index.htm?1>

38 Accessed from: <http://cait.wri.org/>

39 See Article 13: https://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf

DI and GIP work in partnership to research and engage with stakeholders in Brazil and globally, with a focus on climate finance, development finance and poverty eradication.

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We work to ensure that decisions about the allocation of finance and resources result in an end to poverty, increase the resilience of the world's most vulnerable people, and ensure no one is left behind.

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