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THINGS TO KNOW ABOUT CLIMATE CHANGE AND FINANCING FOR DEVELOPMENT

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TACKLING CLIMATE CHANGE OPENS BETTER PATHS TO DEVELOPMENT

Developing countries may not have done the most to cause climate change, but today they are half of the 20 biggest emitters¹. If developed countries stopped all emissions by 2050, but other countries carried on as usual, global warming would still exceed two degrees by the end of the century. Reducing emissions in all countries is therefore essential to avoid catastrophic, irreversible climate change.

A low-emission and more resilient economic development path will not necessarily slow growth². It can support poverty reduction, improve access to better energy and public transport services and reduce pollution. Unabated climate change will significantly affect and potentially reverse development progress.



2

THE \$5 TRILLION TO BE SPENT ON TRANSPORT SHOULD IMPROVE ENERGY EFFICIENCY AND BRING HEALTH BENEFITS

Governments and businesses will invest \$770 billion in new and improved roads, airports, and railways in developing countries over the next 15 years³.

By using conventional technologies, this will increase energy demand by 70%⁴, but new approaches can save energy and bring health and efficiency benefits. A single metrobus corridor in Mexico, for example, contributed \$3 million in health and \$1.3 million in time savings each year⁵.

ANNUAL BENEFITS OF MEXICO CITY METROBÚS

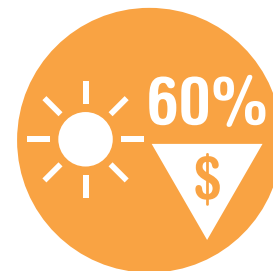
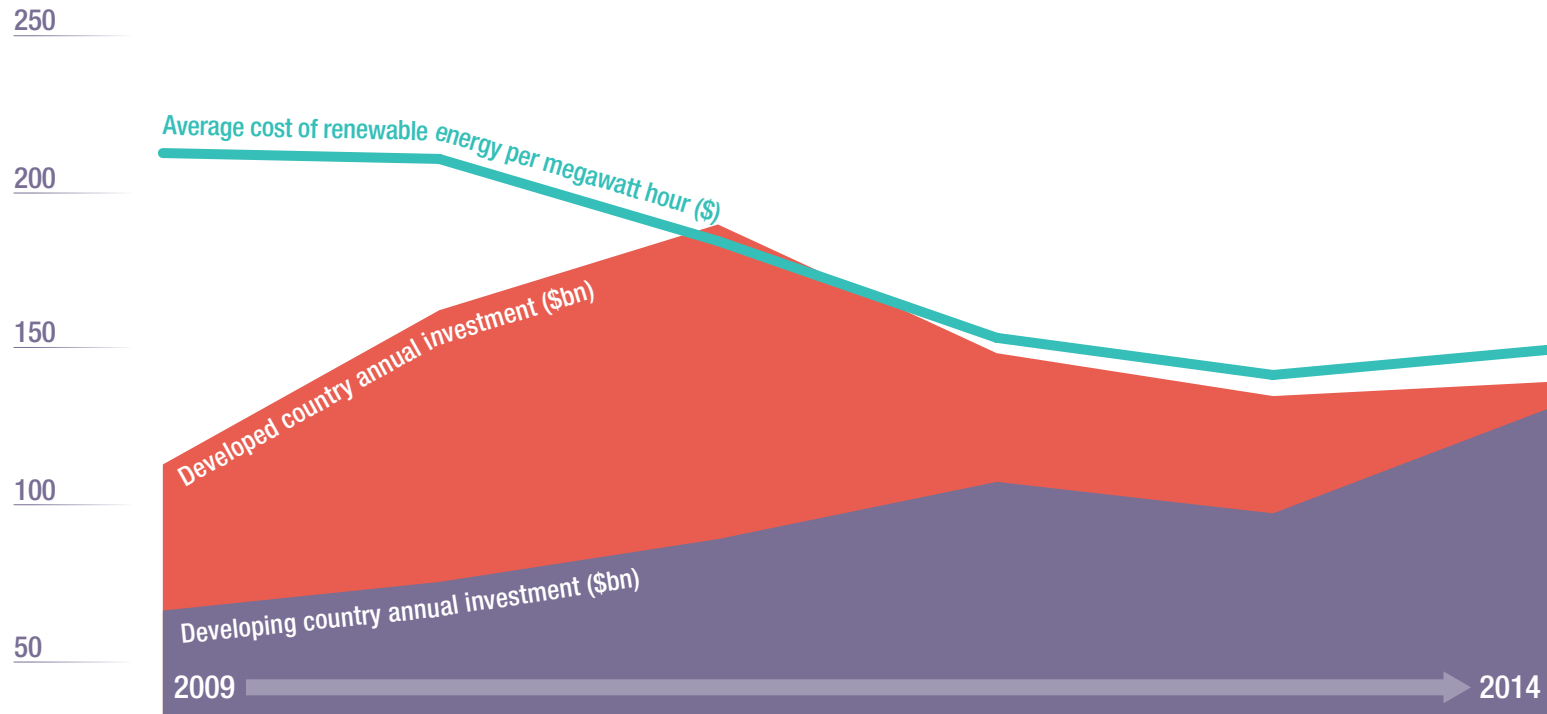


3

AS DEVELOPING COUNTRIES RAMP UP INVESTMENT, THE COST OF CLEAN ENERGY IS PLUMMETING

The cost of clean energy is rapidly declining – the cost of solar is down 60% and wind 15% since 2009. Developing countries have emerged as market leaders, rapidly scaling up public and private investment in clean energy. In 2014, developing countries invested \$131 billion in clean energy, up 40% on the previous year⁶.

Developing countries are also succeeding in driving costs down further: Indian states have procured solar energy at less than half the average global cost.



4

PROTECTING FORESTS PROTECTS LIVELIHOODS AND ADDRESSES CLIMATE CHANGE

Forests contribute to people's income, health, food and energy security – particularly the poor⁷. Each year, we lose 7 million hectares of forest⁸, threatening ecosystem services valued at up to \$6120 per hectare⁵.

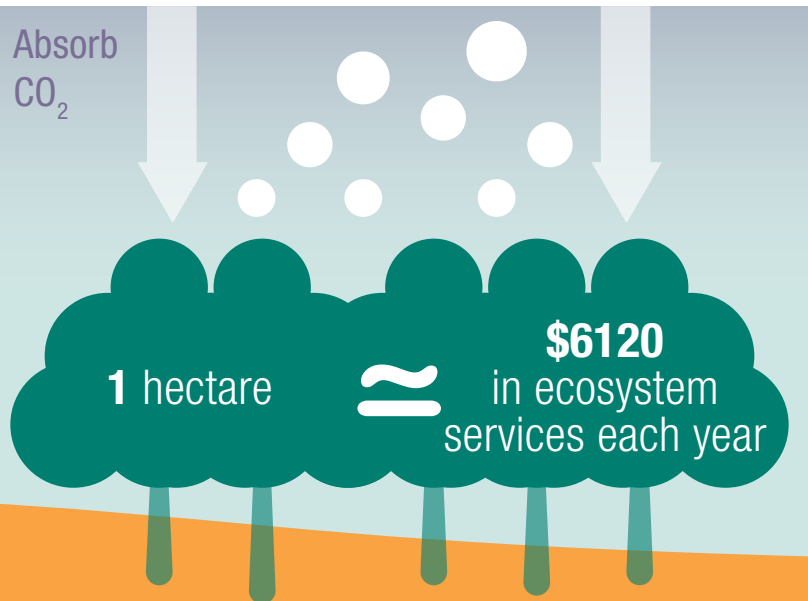
Forests also reduce vulnerability to climate change, acting as a first line of defence against storms, cyclones and sea-level rise.

Careful subsidy reforms to key industries driving forest loss could help protect forests in countries like Brazil and Indonesia, which spend an estimated \$41 billion subsidising palm oil, soy and beef each year⁹.

Contribute to income, food and energy security

Absorb CO₂

Protect against storms



5

CLIMATE RESILIENT AGRICULTURAL INVESTMENTS CAN HELP END HUNGER

Hunger has fallen by 17% since 1990, but 842 million people living today still do not get enough to eat¹⁰. Agricultural production will need to increase significantly to maintain current levels of food security, alongside other measures. Just two degrees of global warming could lead to the stunting of 30-40 million children by 2050 in sub-Saharan Africa and South Asia¹¹.

Investments in agricultural research, infrastructure, and rural development (around \$480 billion a year between 2015 and 2030 in developing countries³) must respond to climate risks that may disrupt supply chains from production to processing, transport, storage and trade.

Water
and soil
management



Income
diversification



\$480bn
per year



Additional
climate
resilient
investment



Pest and
disease
management



Research
and new
technologies



6

SPENDING ON SOCIAL PROTECTION CAN ENHANCE RESILIENCE TO CLIMATE CHANGE

Low-income countries need to find \$42 billion a year to raise all incomes above the poverty line by 2030¹². Although they'll need more funding in the longer term for adaptation to climate change, appropriate spending on social protection can help build people's resilience to climate change. Policies and programmes that work to diversify livelihoods, protect against shocks, and promote inclusive growth can help people manage social and economic risks that climate change causes. Climate sensitive social protection systems can also support recovery from climate-related disasters, and integration with insurance policies can help households weather extreme events¹³.

\$42BN SOCIAL TRANSFERS
IN LOW INCOME COUNTRIES



Poverty reduction

Livelihood diversification

More inclusive growth

Quicker disaster recovery

Greater insurance access

7

DISASTERS ALREADY COST \$100 BILLION A YEAR – AND CLIMATE CHANGE MAY MAKE THIS MUCH WORSE

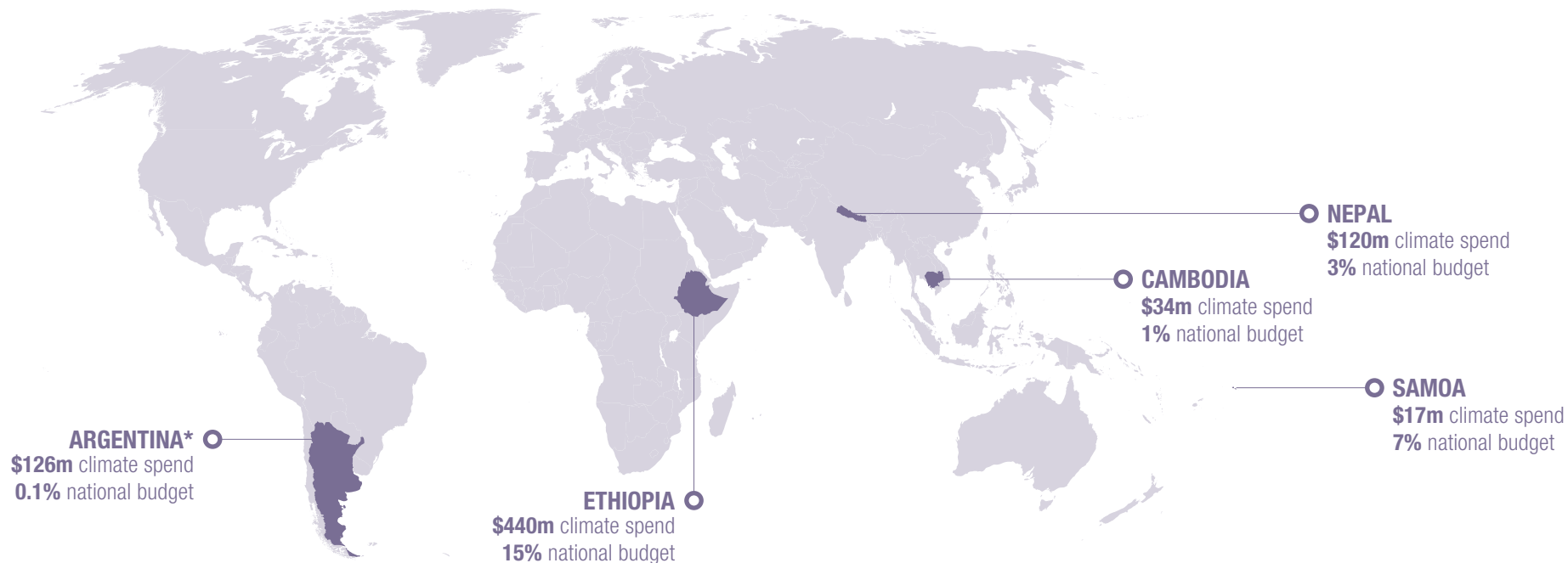
Climate change is likely to increase the frequency and intensity of disasters in some regions¹⁴. More and more people and assets are being exposed to disasters. Losses are already estimated at over \$100 billion a year¹⁵ with mortality concentrated in developing countries. Older people, disabled people, women and children are often worst hit and disasters can delay people's escape from poverty and strain national budgets.

Yet international finance largely supports the response to disasters¹⁶. Climate finance presents a new opportunity to reduce future climate-related disaster risk, such as through early warning systems, coastal infrastructure, and information systems.



DEVELOPING COUNTRIES ARE INVESTING IN CLIMATE ACTION

Developing countries are investing increasing amounts of domestic public finance in responding to climate change¹⁷: in some countries this amounts to more than 17% of the national budget. Domestic policies and regulatory signals can further support efforts to encourage climate compatible development, by directing investments away from high-carbon technology and towards better management of climate risks. International support can play an important role in helping to increase the scale and scope of these efforts.



*not total climate spend, calculated for specific sectors only

FINANCIAL INSTITUTIONS ARE FINALLY STARTING TO PROMOTE LOW-CARBON DEVELOPMENT AND MANAGE CLIMATE RISK

In 2014 multilateral development banks (MDBs) committed over \$28 billion for climate action in developing and emerging economies¹⁸, while the International Development Finance Club committed \$89 billion in 2013¹⁹.

MDBs now measure greenhouse gas emissions associated with their investments, adopting targets to increase investment in clean energy. They are also starting to screen investments for climate change risk and support adaptation measures. These are important initial steps. New actors in development and infrastructure finance, including financial institutions based in developing countries, should adopt new tools and metrics to encourage investment in low-carbon development and manage climate risk.

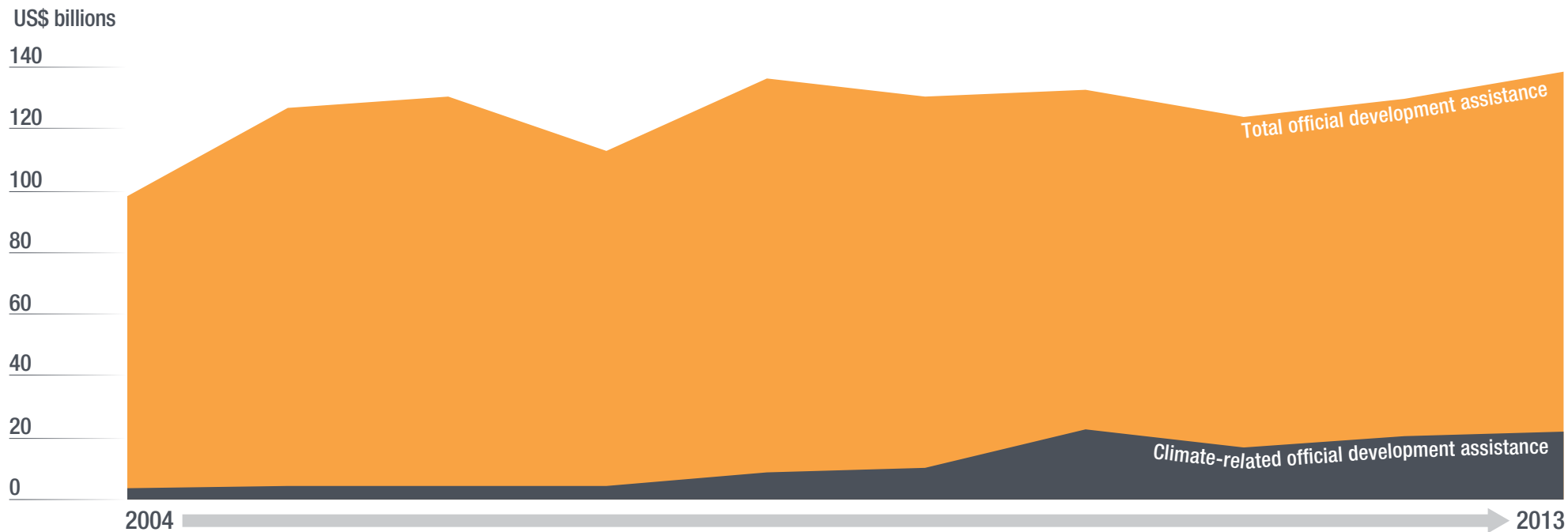
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- Climate targets
 - Climate risk screening
 - Restrictions on fossil fuel investment

10

MORE CLIMATE FINANCE DOESN'T MEAN LESS AID FOR POOR COUNTRIES

The climate change and development agendas are inextricably linked. Investments that reduce emissions or increase resilience often deliver development benefits. All aid must become climate sensitive.

Most climate finance that developed countries report comes from ODA budgets²⁰, however, leading to concerns about the diversion of aid from poor countries. In reality, however, climate finance comprised only 16% of total official development assistance in 2013²¹: a small fraction of total spending. We must increase both climate finance and the share of development assistance going to the poorest countries.



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21. OECD DAC Creditor Reporting System (2015). Available at: <http://stats.oecd.org/index.aspx?DataSetCode=CRS1> Both total and climate related ODA includes that from DAC countries and EU institutions, but excludes non DAC donors and multilaterals. Climate related ODA includes both mitigation and adaptation principle and significant.

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